FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Why Mukluk means so much to Sohio, Page 6

NEWS SUMMARY

GENERAL

Alfonsin may take office in December

Argentina's Radical Government, led by Sr Raul Alfonsin, may take over on December 5 or 10, several weeks ahead of the January 30 date planned before the election.

President Reynaldo Bignone and the ruling military junta met yesterday to talk about the handover of power, reassured by the relatively peaceful aftermath of the poll.

Sr Alfonsin and the leader of the defeated Peronist party, Sr Italo Luder, had a conciliatory meeting, and agreed to co-operate for the sake of national unity. Page 16

Greenham threat

UK Defence Secretary Michael Heseltine said that any demonstrators who breached the boundary of the Greenham Common base and posed a threat to the U.S. cruise missiles to be installed would run the risk of being shot. Page 8

Muzorewa arrested

Former Premier of Zimbabwe Bishop Abel Muzorewa, 58, has been arrested, apparently because government anger was aroused by his visit to Israel last month. Page 4

Uganda killings

Seven people, including officials of the ruling Uganda People's Congress, were abducted by unidentified gunmen and killed in the Masaka district, west of Kampala.

S. Africans vote

South Africa's white voters go to the polls today to decide on a new constitution that would give limited voting rights to the country's 2.5m "coloureds" and 800,000 Indians. Page 4

Gulf sinking claims

Iran said its vessels had sunk an Iraqi missile boat and another naval vessel in the Gulf. Iraq claimed to have destroyed an Iranian missile-launching boat – and said it accepted the UN Security Council call to end the war.

Afghans accused

Pakistan accused Afghanistan of 44 border violations in the past six months.

Oil ship sunk

Global Marine of Houston confirmed that its oil drilling ship Glomar Java Sea, which disappeared in the South China Sea last week, had sunk. Search continues for survivors from the 81 aboard.

Punjab round-up

Indian police have rounded up more than 1,400 people in the past two weeks in a crackdown on extremists and law-breakers in Punjab state.

Earthquake death

Most of the victims, now more than 1,250, of Sunday's earthquake in eastern Turkey were suffocated by mud from the collapsed roofs of their houses, said rescue workers.

Six die on carrier

Six people were killed and 35 injured by two fires on the U.S. aircraft carrier Ranger during exercises in the Indian Ocean. One of its four engines was put out of action.

Briefly . . .

Two Soviet cosmonauts left their space capsule for nearly three hours to install extra solar power cells outside.

Horse racing: New Zealand-bred Kiwi, an A$1000 ($900) buy, won the A$195,000 Melbourne Cup.

BUSINESS

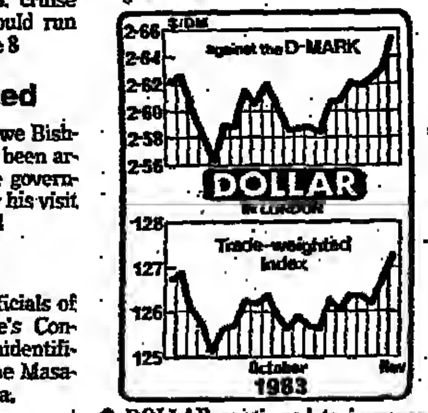
IBM's new home computer unveiled

● IBM, the world's largest computer maker, announced its long-awaited first home computer, the PC Jr, which will sell in the spring at $669. It was hailed by industry analysts. Page 16; News Analysis, Page 17

● INMOS, the UK state-backed semiconductor company, launched its transputer – a tiny chip that can compute at 10m instructions a second. Page 16

● LONDON: FT Industrial Ordinary index rose 3.1 to 706.2. Government securities showed some modest gains. Report, Page 27. FT Share Information Services, Pages 28–29

● WALL STREET: Dow Jones index closed up 4.07 at 1,229.27. Report, Page 23. Full share listings, Pages 24–26



● DOLLAR continued to improve, from DM 2.63 to DM 2.664 (highest since late September) and to FFr 8.0775 (from FFr 8.01), SwFr 2.161 (SwFr 2.141) and Y234.8 (Y234). Its Bank of England trade-weighted index rose from 126.8 to 127.3. In New York it closed at DM 2.6475, FFr 8.06, SwFr 2.154 and Y234.3. Page 33

● STERLING fell 90 points in late trading to $1.4865, and it eased to Y349.25 (Y350). But it edged up to DM 3.9475 (DM 3.935), FFr 12.005 (FFr 11.975) and SwFr 3.215 (SwFr 3.2025). Its trade weighting, recorded before the close of trading, was up from 83.7 to 84.1. In New York it closed at $1.487. Page 33

● GOLD fell $5.25 in London to $377.625. In Frankfurt it dropped $4.5 to $377.5, and in Zurich it fell $5.25 to $377.5. In New York the Comex November settlement price was $378.30. Page 32

● TOKYO: Nikkei Dow index fell 5.88 to 9,350.91, and the Stock Exchange index eased 0.1 to 685.41. Report, Page 23. Leading prices, other exchanges, Page 26.

● INDIA plans a law requiring that at least 40 per cent of imports and exports should be carried in Indian ships. Page 6

● JAPAN is to limit exports of passenger cars to the U.S. to 1.85m in the year beginning April 1. Page 6

● UK and Norwegian investors are to be offered the chance to buy about half the equity in a £150m ($223m) floating crane being designed by Brown and Root (UK) for use in the North Sea. Page 8

● ISRAEL'S decision to bring back foreign currency controls has failed to slow the continued run on bank shares or the fall of the shekel. Page 16

● GREECE'S Economy Minister said the country's membership of the EEC had had a negative effect on its economy. Page 2

● JAPAN has brought in new laws to control the 40,000-plus Sarakin companies involved in the notorious unsecured consumer loan market. Page 17

COMPANIES

● REED INTERNATIONAL, UK-based paper and publishing group, reported second-quarter profits 93.8 per cent up at £18.8m ($27.9m). Lex, Page 16. Details, Page 20

Auditors criticise waste in EEC spending policies

BY JOHN WYLES IN BRUSSELS

The EEC's independent Court of Auditors has drawn a devastating picture of waste and weaknesses in the Community's main spending policies which, it warns, "are undermining the financial management of Community affairs."

The court, requested by heads of government to review "the sound financial management of Community activities," suggests that "a large proportion" of the Ecu 16bn ($13.75bn) allocated to agriculture could be saved if the common agricultural policy (CAP) was made more cost effective.

It also finds the EEC's structural funds – for agricultural modernisation, regional and social development, and overseas development aid – lacking in clear objectives. Though they are financed by Community funds, the court questions whether these "represent real Community policies," rather than policies which merely co-finance "measures that are of purely national interest."

The court is a permanent body based in Luxembourg, with one representative from each member state. It is responsible for ensuring sound financial management of Community affairs.

Its report, commissioned as an aid to current negotiations on EEC reform and refinancing, will be seen as strengthening the case for wide-ranging economies in the CAP.

Britain and West Germany, in particular, may use it to support their arguments that sound financial management is as much a key to averting the Community's cash crisis as raising the ceiling on the EEC's budget revenues.

The court's questioning of the value of the regional and social funds could also be seized on by France, which has long been their most sceptical critic. But the court's observations on these policies do not counterbalance its much heavier strictures about the CAP.

These are close to the European Commission's analysis of what is wrong with the policy, although by implication the Commission's recommended economies – worth Ecu 2.5bn in their first year – do not go as far as the court would like.

The court recommends a tighter budgeting system for agriculture which would call upon producers to finance cost overruns. It wants a restructuring of relative prices, based on a lowering of cereal prices.

This the court claims, somewhat controversially, would restore the balance in the markets for beef and veal, pigmeat, eggs, poultry and milk – markets which account for 60 per cent of farm spending.

The court's support for economies to be made through a stricter application of Community preference is less to the UK's taste. Such a move would mean cutting back imports from New Zealand and elsewhere of butter, sheepmeat, beef and veal, as well as olive oil and oil seeds.

The court supports the Commission in seeking the gradual elimination of the "green" currency system because of the budgetary costs of monetary compensatory amounts.

Continued on Page 16

EEC harm, Page 2; Agricultural policy, Page 15

UK ministers split over future of state utilities

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

A VIGOROUS debate has developed within Britain's Conservative Government about the future of the main public sector utilities such as gas and electricity.

Mr Nigel Lawson, Chancellor of the Exchequer, has argued that the present monopoly position should be ended where possible, while Mr Peter Walker, the Energy Secretary, believes that there is little scope for introducing competition and that the industries should be sold to the private sector in broadly their present form.

Relations between the two men are said to be distinctly cool since Mr Lawson feels that there has been a change of policy since Mr Walker took over from him as Energy Secretary in June.

There is also Treasury pressure for greater competition in telecommunications beyond proposals which have so far been announced.

The differences of emphasis were signalled yesterday by Mr John Moore, the Financial Secretary to the Treasury and formerly a junior energy minister under Mr Lawson.

Mr Moore told a conference in London that activities such as electricity generation, the production and marketing of gas, coal production and sale, telecommunications (other than local district services), bus transport, sewage treatment and disposal are in no sense natural monopolies." He said that these monopolies were artificial and it was by no means self evident that they were necessary or even beneficial.

Mr Moore admitted, however, that because of the integrated nature of the networks it might make economic and business sense at present to organise regional and national monopolies to carry out the transmission and distribution of water, gas and electricity, to provide local district telephone services and to carry away sewage.

Among the ideas which have been floated by advisers to Mrs Margaret Thatcher, the Prime Minister, are that companies could be permitted to compete in the production of energy through the common carrier network operated by a state utility, while there would also be scope for private companies to market gas.

When Mr Lawson and Mr Moore were at the Energy Department, legislation was introduced to end

Continued on Page 16

Editorial comment, Page 14

Nissan profits fall 26% in first half

BY YOKO SHIBATA IN TOKYO

NISSAN MOTOR, Japan's second largest car manufacturer, has reported a sharp fall in profits in its first half in spite of a small growth in its vehicle sales.

Efforts to boost the company's share of the domestic market are the principal cause of the lower profits.

Nissan's parent company net profits for the period to September were down by 26.4 per cent, to Y36bn ($153.4m) from Y49.5bn.

Pre-tax profits were down 33.8 per cent at Y61.1bn, against Y92.4bn.

Sales revenues, however, rose by 2.5 per cent to Y1,684bn from Y1,643bn on an increased volume of sales of 1.38m (units plus knock-down sets), against 1.28m previously.

Net profits per share fell to Y21.03 from Y29.14, but the interim dividend is unchanged at Y7.

Nissan's sales on the Japanese market fell marginally to 554,000 units.

This decline was more than made up for by the rise in overseas sales – particularly of trucks to the U.S. – which rose by 37,000 units to 717,000 units.

The company has launched four major overseas ventures so far this year – its truck plant in the U.S., a commercial vehicle plant at Spain's Motor Iberica, a joint-venture for passenger cars with Alfa-Romeo and a second plant at its Mexican manufacturing subsidiary.

Favourable factors, such as a Y28bn gain from higher prices and Y5bn on financial activities, were more than offset by Y21bn in foreign exchange losses and the Y30bn injected into the domestic dealer market in an attempt to boost sales.

In the current year, to March 1984, Nissan is forecasting total sales of Y3,450bn, a rise of 8.2 per cent.

The cost of the cash concessions to boost domestic sales, however, are likely to hold pre-tax profits down to Y120bn–Y125bn, between 22 and 19 per cent lower than last year.

Limit on car sales to U.S., Page 6

Sweden doubles Eurobond

By Mary Ann Sieghart in London

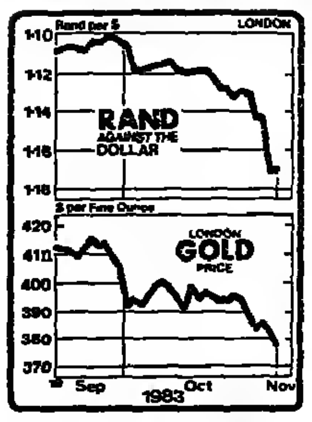
SWEDEN has doubled to $1bn the amount it is raising in the Euromarket through a floating rate note. This is thought to be the first time a Eurobond issue has been doubled in size and illustrates the strong demand for Swedish assets.

It is also the second time in as many months that a Swedish borrowing has been doubled because of market enthusiasm. In September its Eurocredit was increased from £250m to £500m and was still oversubscribed.

Sweden's popularity stems from several factors. It is one of the few high quality borrowers in the Euromarket and its balance of payments deficit is shrinking rapidly. Some bankers suggest that Sweden has now overtaken France as the top-rated European borrower.

Sweden also has a knack for tapping the right market at the right time.

Profits rise, Page 2; International Capital Markets, Page 34



Rand hits new low against $

By Bernard Simon in Johannesburg

THE South African rand touched a record low against the U.S. dollar on the Johannesburg foreign exchange market yesterday as the price of gold, the country's biggest export earner, continued its recent slide. Gold finished in London last night at $377.625, down $5.25 on the day.

In the most volatile day of trading since the South African Reserve Bank moved two months ago to allow the market to have a greater influence on the value of the currency, the rand fell yesterday from R1.737 to the U.S. dollar, to touch a low point of R1.225.

It recovered later to close at R1.1695 after mining houses began selling foreign currency. Last night's London close represents a drop of more than 6 per cent over the past month.

Dr Braam Van Staden, Deputy Governor of the Reserve Bank, said the gold price fall meant the authorities could no longer hold up the rand as part of their anti-inflation strategy.

"Circumstances have changed, therefore the policy cannot be the same," he said. Dr Van Staden confirmed that the bank had not intervened in the foreign-exchange market in the past few days.

Gold accounts for about half of South Africa's export earnings. The decline in the bullion price has dealt a blow to early indications that the downturn in the economy of the past two years was beginning to level off.

The Reserve Bank has insufficient resources of foreign exchange to support the rand for a prolonged period.

The foreign-exchange component of the reserves totalled around R1bn at the end of September, but Dr Van Staden said the level dropped last month because of capital outflows.

South Africa's referendum, Page 4, Feature, Page 14

Japanese and Belfast yards in ships deal

BY ANDREW FISHER IN LONDON

HARLAND and Wolff, the loss-making shipyard in Belfast, Northern Ireland, has signed an important co-operation deal with one of Japan's biggest shipbuilding companies, Ishikawajima-Harima Heavy Industries (IHI).

The agreement is believed to be the first of its kind between a north European and a Japanese shipbuilder. It gives Harland and Wolff the sole UK rights to build the Friendship HT series of multi-purpose cargo ships developed by IHI.

The Belfast yard, which is state-owned but not part of the nationalised British Shipbuilders, will soon announce losses of about £40m ($59m) for the financial year to last March. The agreement with IHI is part of its efforts to win vitally needed orders and to return to profitability during a worldwide slump in the industry.

Harland will be able to sell the Friendship HT ships worldwide and has high hopes of orders soon. These are thought most likely to come from Greek owners, based in Greece, Europe or the U.S., who are keen to order the $15m ship before the expected shipping recovery next year.

Mr John Parker, who became chairman of Harland earlier this year, said yesterday that the deal would "put another arrow in our quiver in the marketplace."

IHI, which built some of the world's biggest tankers before the oil crisis caused a slump in that market in the 1970s, has export orders for 15 of the 22,400 deadweight tonne Friendship HT vessels, mostly from Greek companies.

Mr Takeshi Yano, managing director of IHI, said the deal with Harland should expand the attraction of the ship to world owners, who would be able to decide whether they wanted to place their orders in Japan or Belfast.

He said the time had come for Japanese and European shipbuilders to work more closely together in marketing and product development.

Japan is still the world leader in shipbuilding, followed at some distance by South Korea, but has reduced capacity in recent years as the shipbuilding slump has continued.

The slump has caused Harland to reduce its workforce to 5,500 and it needs new orders to prevent further

Continued on Page 16

Giant crane stake, Page 6

Chicago newspaper sold to Murdoch

BY WILLIAM HALL IN NEW YORK

MR Rupert Murdoch's News America group is paying $90m for the Chicago Sun-Times, the seventh largest U.S. newspaper. The acquisition is easily the group's biggest investment in the U.S. to date and means that its U.S. publishing revenues will come close to matching those from Mr Murdoch's Australian publishing operations.

Mr Murdoch, chief executive of News America, News Corporation's U.S. subsidiary, said yesterday: "The purchase of the Sun-Times is a major step towards achieving our goal of publishing viable competitive newspapers in the largest and most vital cities in America. Together with our existing newspapers in New York, Boston and San Antonio, Sun-Times gives News America a newspaper franchise in four great regional markets, each of which has great economic strength."

The Sun-Times group, which includes a daily morning and Sunday newspaper, the Field Newspaper Syndicate and the Indepeodeot Press Service, has been up for sale since the spring when the present owner, Field Enterprises, announced it was liquidating itself and distributing the proceeds to two scions of the Field family, one of the wealthiest Chicago families, which has operated the paper for the last 42 years.

It was rumoured initially that the Field family wanted between $100m and $150m for the Sun-Times group, but in recent months the asking price has dropped to an estimated $80m to $100m. The Chicago newspaper is profitable, with a circulation of 654,000, but no more financial details are available.

Mr Murdoch said the acquisition

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CONTENTS

EUROPEAN NEWS

Constitutional court will rule soon on takeover of companies, writes **David White**

Madrid grows nervous about Rumasa sale

IN A thin buff folder on a desk in a second-floor office of the Spanish Ministry of Finance lies the programme for a most extraordinary auction. The office belongs to the Director-General of State Patrimony, and the secret schedule concerns 130 companies and groups of companies of the Rumasa concern, summarily taken over by the Socialist Government earlier this year and now due to be offered for re-sale.

Businesses ranging from construction to chemicals, shops to shipping, agriculture to advertising are to be put on the block, some of them before the end of the year. A special five-man committee, at its last weekly meeting, assigned negotiators to lists of companies, covering all Rumasa's non-banking interests. Government officials say several hundred preliminary applications have been received, from both Spanish and foreign concerns.

But the start of Spain's Great Autumn Sale hangs on a crucial court decision. The Government is waiting for the Constitutional Tribunal to rule whether it was within its rights when it issued its decree on February 23 expropriating Sr Jose Maria Ruiz Mateos's rickety empire.

The verdict is expected by November 15 at the latest and officials are becoming increasingly nervous about its content, even though it cannot reverse the expropriation.

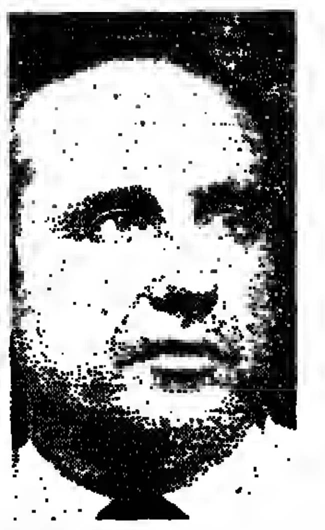
The appeals which have been lodged concern the original decree and not the law which Parliament passed four months afterwards to the same effect. But if, as appears possible, the court raises serious objections to the decree, it will inflict a damaging political blow to Sr Felipe Gonzalez's cabinet, which was not unanimous at the time about using such heavy-handed methods against Rumasa.

The authorities are also anxious about any further challenge to impede the reprivatisation of a conglomerate which is simply accumulating losses. The group, according to one top official, is likely to end this year with a loss of Pta 75bn—£330m, no less—rather more than the auditors' calculations for 1982.

The central problem lies in one company, Rumasa S.A., which has as assets a group of companies losing Pta 20bn a year—as much as the biggest lossmakers in the public-sector steel, motor and air transport industries—and as liabilities the sum of Pta 270bn (£1.19bn).

Sr Ruiz-Mateos, who is living in London, built up these liabilities during his last two years at the head of the group, when, according to the same official, he bought 40 companies either above or below the counter. Delayed payments for these operations, on which only 10-20 per cent was paid cash down, are reckoned to account for Pta 200bn of the total, the rest being made up by refinancing and private loans.

A simple sum based on a 20 per cent financing cost provides the figure for a built-in snowballing holding company deficit—Pta 54bn-Pta 55bn this year, on top of Pta 48bn-Pta 50bn for 1982.



Ruiz Mateos: in London

Whatever the new state-appointed administrators do to improve management at Rumasa companies, it is argued, will have only a marginal impact on the money drain. And, in any case, they are not having conspicuous success. Morale among senior executives is low.

In some instances, the feelings of insecurity have spread to clients. Turnover of Rumasa's sherry business, for instance—the source of Sr Ruiz Mateos's fortune in the early 1960s—has stagnated in real terms since expropriation and exports may be down this year.

The divestiture plan envisages putting a first set of companies on the market within three months, but it is expected to take two to three times as long for deals to go through.

No companies are yet considered "ready to go" but some are obviously high on the list: for instance, Loewe, the fancy leather store which has a branch on London's Old Bond Street, or Hotesa, Rumasa's chain of 35 modern hotels. Some others, on the other hand, have received no applications at all.

The last of the non-banking interests to be settled may well be the group's powerful wine holdings in Rioja and Jerez, where local lobbies have formed to prevent anyone, especially a foreign company, from taking a near monopoly.

With labels such as Garvey and Williams and Humbert—and a few others which were more discreetly controlled—Rumasa cornered a good third of the sherry business. Dubious of the wisdom of selling all 19 wine bodegas either to one of Rumasa's big sherry competitors, or to a foreign company, or to a group of small local interests, the Government is thinking in terms of a Solomonian solution involving eli three.

Of the 20 Rumasa banks, which are being dealt with through a separate channel, only two or possibly three are candidates for early divestiture. The remainder have their risks too tied up in Rumasa companies.

As the Government works out the cost of refloating the banks, other private banks can no longer retain hopes of getting off scot free from the Rumasa saga. The banking system will almost certainly be asked to put more funds into its standard rescue mechanism and share the burden with the state.

The political minefield lies on the left as well as the right of the Government. Orthodox sections of the Socialist party are unhappy about the prospect of the state paying for reprivatisation. At the same time unions are preparing to defend jobs at Rumasa, which the Government earlier rather rashly promised to keep. Sr

An open challenge from the Constitutional Court would raise the political heat and possibly make it harder for the Government to have the Rumasa problem largely settled and finished by the next general election in 1986.

Sr Ruiz Mateos faces charges if he return to Spain. But his supporters now raise the possibility of compensation if, indeed, the Government was in illegal possession of Rumasa for four months. If the auditors have their figures right, the Government can hardly be blamed for its perplexed reaction: compensation for what?

Hungary finds it hard to keep the lid on the economy

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

"UNFORTUNATELY, real consumption will not decline this year," says an official of the Hungarian national bank. Others in the elegant, panelled central bank, with an enormous red star on its roof, will also vouchsafe that inflation is, if anything, too low in Hungary.

Such remarks in the Soviet bloc, where it is generally a matter of principle that living standards never slip under Socialism, at first strike the foreign ear as incongruous as Mrs Margaret Thatcher.

But Hungary, of course, is a little different. Mr Janos Kadar, the veteran Communist party leader, does not shout from the rooftops that, in accordance with the one-year agreement with the International Monetary Fund, Hungarians must tighten their belts.

However, neither be nor his ministers have made any secret of their view that, if Hungarians are to maintain the highest standard of living in the Soviet bloc, they must make temporary adjustments to consume less, boost hard currency-earning exports and keep up payments on the country's foreign debt.

What has gone slightly awry in this IMF-assisted strategy is partly due to the very buoyancy of the Hungarian economy—or that large part of it known as the "second economy."

Prices are rising this year by 7-7.5 per cent, and wages in centrally managed state industry by only 4.5-5 per cent. But Hungarians have more than offset this gap with the money many earn in the legal second economy where private initiative, though not necessarily private ownership, in producing extra goods and services is encouraged.

The other problem is the impact of this summer's drought which, in the view of Mr Janos Fekete, the deputy governor of the national bank, will hit hard currency-earning agricultural exports and may leave Hungary with a $400m-$500m surplus on current account, instead of the 1983 target agreed with the IMF of $600m.

Mr Fekete maintains, however, that Hungary no longer has any problem meeting its foreign debt obligations. By the end of this year, about $1bn due in medium-term debt will have been repaid, out of the proceeds of bte, albeit lower, current account surplus and $600m borrowed from the World Bank and commercial banks this year.

The entire $600m standby credit from the IMF is destined, he says, for the reserves.

If Hungary is solvent, it is still not very liquid, Mr Fekete admits. No decisions have been made on whether to seek more money from the IMF next year—depending on the Fund settling its own cash crisis—or when and how to lift the import restrictions Hungary introduced in autumn 1982.

Officials freely admit that the curbs went against the spirit of their reforms designed to increase foreign competition in the small domestic market as well as to make it more price-realistic.

He links the two issues by pointing out that if Hungary were more liquid with a bigher level of reserves it could more easily run the risk of lifting the import curbs on raw materials and components from the West. Financial security comes first in these storm-tossed times, he says, and Hungary will not import more goods without the money, perhaps from the IMF, to cover them.

Memorial promised at last to Katyn dead

By Christopher Bobinski in Warsaw

MILLIONS OF flickering candles lit cemeteries across Poland yesterday as dusk fell on All Souls Day. It is a day when the nation remembers its dead with a special emotion.

In the days preceding, crowded buses, trains and cars carried Poles back and forth across the country, many bearing traditional large white or purple chrysanthemums to place on the graves of family and friends.

There is also a patriotic flavour to the day, as people place their candles at monuments to the dead in what seem like countless conflicts, and now, most recently, at the graves of those who died in demonstrations against martial law.

Piled high

In Gdansk and Wroclaw, Krakow and Warsaw's Powazki cemetery, the graves of young men like Mr Grzegorz Przemyk, beaten to death by police last summer, were piled high with flowers and bedecked with Solidarity placards amid a sea of candles.

At the Warsaw military cemetery thousands crowded past the place where for years those who commemorate the dead in the Katyn massacre during the Second World War have silently placed their candles.

Thousands of Polish officer prisoners of war were killed at Katyn in 1940 by the Soviet Union, a charge vehemently denied by Stalin who blamed the Germans, a version upheld ever since by Moscow, with the mostly silent and embarrassed acquiescence of the Polish authorities.

During the Solidarity period, demands grew for some form of memorial to the Katyn dead and vague official promises were offered that one would be erected.

Yesterday people at the military cemetery found a wooden fence around the symbolic Katyn square and stood staring in disbelief at an official sign on it declaring that a monument would, indeed, be completed by the end of this month.

Part truth

Most intriguing are the words to be inscribed on the monument and whose anonymous author has displayed signs of diplomatic genius. These are to be: "A monument to those Polish soldiers who lie buried in the soil of Katyn."

Many will find them inadequate, preferring their own unofficial symbolic place to an officially sanctioned monument which only tells part of the truth. But evidently this will have to do until the Soviet Union decides to revise its official history a little further and add Katyn to a long list of Stalin's admitted crimes.

U.S. poised to ease sanctions against Poland

BY STEWART FLEMING IN WASHINGTON

THE U.S. is about to ease some of the economic sanctions it imposed on Poland following the imposition of martial lew in 1981. These include agreement to enter into talks with other governments about rescheduling Poland's official debt, thought to amount to between $12bn and $15bn.

The precise measures which the Reagan Administration will announce were unclear yesterday, as the timing of the decision. Mr Larry Speakes, the White House spokesman, said some "measured steps" would be taken. He suggested that the successful visit of the Pope to Poland in June and the freeing of some political prisoners were helpful factors. But be added that there was still no dialogue between the Government and people in Poland.

The sanctions still in force include a ban on Polish fishing in U.S. waters, a ban on the Polish airline and on the supply of economic aid and high technology equipment. In addition, Poland was deprived of "most favoured nation" status in relation to U.S. tariffs and Washington has refused to allow government-to-government negotiations to start on rescheduling official debt in the Paris club of creditor nations.

Agreement in principle to reopen these negotiations was reached by other nations in the Paris club earlier this year. It is argued that by refusing to reschedule Poland's debt, the creditor countries are merely depriving themselves of interest payments.

Deciding bow far to go in easing the sanctions will bave to be gauged partly in relation to the U.S. domestic political impact of the move.

David Buchan adds from London: The U.S. action, removing its purely bilateral sanction on Poland, would bring Washington into line with its Nato allies, which in January 1982 cut political contacts with and export credits for Warsaw and also froze discussions about Poland's official debt.

The last of these allied sanctions in the process of being dropped, with agreement in principle last July that Polish debt owed to Western governments should be rescheduled. A Western fact-finding team visited Warsaw last month, and it is thought that rescheduling negotiations proper may start this month.

Greek minister says EEC entry has harmed economy

BY ANDRIANA IERODIACONOU IN ATHENS

MEMBERSHIP OF the European Community has had a negative effect on Greece's economy, Mr Gerassimos Arsenis, the National Economy Minister, said yesterday. He pointed to an influx of Community products into the Greek market and large increases in the price of consumer necessities as key problems. Greece will have been a full member for two years on January 1.

Mr Arsenis listed on the positive side, the money which Greece receives through the Common Agricultural Policy, and the opening of the EEC market to Greek products. But entry has had a negative effect on the balance of external payments, introduced serious competition from Community products and increased the price of necessities to levels higher than the international average.

"If we add everything up, my opinion is that the net effect is negative," said Mr Arsenis.

According to European Commission figures, Greece is currently one of the main beneficiaries of the EEC. Thanks mainly to the CAP, net receipts rose by 363 per cent to ECU 685m (£390m) between 1981 and 1982. This has belped sugar the pill of EEC membership for the Greek Socialists, who came to power nine months after accession promising to pull the country out of the Community following a referendum.

However, the agricultural trade balance with the EEC, which was in favour of Greece before entry, is now negative. The trade deficit with the EEC for manufactured goods also doubled in the first year.

The minister yesterday stopped short of saying that Greece is considering leaving the Community. He indicated instead that the Government still bopes for a better deal on the results of a memorandum submitted to Brussels 18 months ago asking for greater protection for Greek manufactured products and more money for development.

The Commission has already told Greece, however, that it opposes greater protection for its uncompetitive manufactured products

Greens plea falls on deaf ears

By Leslie Colitt in Berlin

WEST GERMANY'S left-wing Greens party is more convinced than ever that the Soviet Union and the U.S. are "mirror images of each other" on the issue of arms control, Frau Petra Kelly, one of the party's leaders, said bere yesterday.

She and ber colleagues have just ended six days of talks in Moscow and Berlin, where their call for unilateral disarmament fell en deaf ears, just as it had in Washington last month.

Although Soviet and East German officials pulled out all the stops to honour the Greens, the consensus among the party's representatives was that it was only "window dressing."

Top Soviet generals and officials spoke to them in the Kremlin's gilded Katharine Hall, where Mr Boris Ponomaryov, head of the central committee's information department, said human rights have been sacrosanct in the Soviet Union since its founding.

One of the Greens' MPs, Herr Milan Horacek, a former Czechoslovak who defended the ideals of the 1968 Prague Spring, was told by Mr Ponomaryov that most Czechoslovaks were content just to down their Pilsener beer.

The Greens said, nevertheless, they were taken more seriously by Soviet and East German functionaries than by U.S. officials they met in Washington.

They had a long meeting in East Berlin with President Erich Honecker in which Frau Kelly pointedly wore a shirt carrying the banned "Swords into Ploughshares" emblem of the independent East German peace movement which is harrassed at every turn.

Profits rise sharply in Sweden

By David Brown in Stockholm

PROFITS IN Swedish industry have risen sharply this year, according to an official survey of nearly 500 large companies. Turnover has grown by an average 17 per cent and profits, after net financial costs, bave more than doubled.

Pretax profits as a percentage of sales bave climbed by 3.6 percentage points to 7.4 per cent, due mainly to better industrial productivity and also to lower net financial costs, reports Statistics Sweden.

The biggest improvements were recorded in the pulp and paper and the chemicals industries.

Export companies—defined as baving more than a quarter of their sales abroad—showed a more positive development, with turnover up 20 per cent on the average and margins up nearly five percentage points.

France aims to shake up its forest industries

BY DAVID MARSH IN PARIS

FRANCE'S 1.5m owners of small woodlands are facing a shake-up under a government plan to improve the financial state of the country's loss-making forests.

Worried about a FFr 14bn (£1.18bn) foreign trade deficit last year in wood and wood products such as pulp and paper—accounting for a befty chunk of the overall trade deficit—the Government wants to slice through centuries of uneconomic French tree management.

A Bill planned to go before the National Assembly in coming months will force smallholders, who account for 90 per cent of France's forest owners, to boost efficiency by teaming up in tree-felling with neighbouring proprietors.

France's impenetrable forests provided a shady backcloth to the Gallic wars but were lopped back savagely to provide firewood, ships and cathedrals during the Middle Ages. Now, however, it has too many trees. From a low point of around 8m hectares (20m acres) in Napoleon's time, France's forest area has since sprouted to an over-sized 14m hectares (35m acres)—the biggest in the EEC, and a blot on the economic landscape.

President Francois Mitterrand, who maintains a country property in Landes, south-west France, the country's thickest-wooded region, has himself complained that an up-to-date French tree industry has failed to take root.

Apart from the trade deficit, other symptoms of France's serious lag in arboreal economics include the controversial workforce cuts now being made at the country's largest papermaker, La Chapelle-Darblay, and the bankruptcy earlier this year of several leading French furniture companies.

M René Souchon, the Secretary of State for Forests, said in a newspaper interview yesterday that the state of the wood market in France was "archaic." He called for forest-owners to branch out to a more profit-oriented approach to combine ecology with economics.

"Some people think that each time a tree is cut down, the forest is attacked. Reality is quite different. Beautiful forests need economic and well-functioning outlets."

The aptly-named M Souchon—"souche" in French means "tree stump"—has come in for some stick from smallholders who feel that plans to force them into mergers go against the grain.

But M Souchon yesterday said fragmentation represented France's major forestry problem. He plans to give state forest aid in future only to well-managed enterprises. He intends to reduce inefficiency in the country's numerous sawmills, some of which, be said, are still working with methods 25 years old.

M Souchon also aims to put his head on the block with a new regulation certain to upset another sector of the forest community. To guard against forest fires—particularly intense in the south in recent summers—householders in forested regions will, under government plans, be obliged to cut down all trees in a 100-metre radius around their homes, against 50 metres at present.

Kielland wreck handed back to its owners

BY FAY GJESTER IN OSLO

THE WRECK of the Norwegian North Sea hotel platform, Alexander Kielland, righted two months ago in a controversial operation that cost the state about NKr 250m (£22.7m), was yesterday returned to its owners, the Norwegian Oil Insurance Pool. The Pool will either scuttle it or sell it to a Norwegian breaker.

The platform capsized in a storm in March 1980 with the loss of 123 lives. It lay upside down in a fjord near Stevanger for nearly three years after the first salvage attempt failed.

Yesterday's handover marks the end of the Government's responsibility for the wreck. It follows weeks of inspection of the decks and superstructure by police, the official inquiry commission, and representatives of interested parties. The commission will make a supplementary report on its findings on-board.

By relinquishing the platform, the authorities are tacitly discounting the many unofficial theories about the accident's cause and possible contributing factors. These, which could have affected the insurance settlement, maintained that the official inquiry had overlooked vital evidence. Most of the doubts were raised by the Kielland Fund, a group formed to represent the interests of the bereaved and survivors. The French yard which built the platform, has also been sceptical about the commission's conclusions.

The Fund wanted the Government to keep the platform for further examination—particularly of one strut, in which it believes an explosion may have taken place. Such examination would, however, have required a costly diving mission.

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AMERICAN NEWS

Brazil hopes to convince IMF on loan conditions

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S Central Bank Governor is due to arrive today in Washington for a final effort to convince the International Monetary Fund that Brazil is doing everything possible to meet IMF-stipulated economic targets before the Fund's board meets on November 18 to discuss the jumbo loan Brazil is seeking.

Tomorrow Sr Affonso Celso Pastore and other members of the Brazilian delegation are scheduled to meet the 13-member commercial bank advisory committee in New York, to discuss progress on the country's planned $6.5bn jumbo loan. Participating banks have been asked to make their commitments by November 10. if possible.

Sr Pastore will be presenting his foreign creditors with the good news that the package of salary limitation measures and tax increases promulgated by the Government in recent weeks through a series of presidential decrees, and subsequently reshaped under intense political pressure. is likely to be passed by Congress next week.

But the bad news is that the inflation rate in Brazil still shows no sign of easing, so money supply and public sector deficit targets agreed with the IMF in September are again likely to be out of line.

Government-backed economic research institutions are privately predicting that the annual rate of inflation in 1983 is likely to be around 200 per cent, compared with a working figure of 152 per cent agreed by Brazilian and IMF technicians just six weeks ago.

Finance Minister, Sr Ernane Galveas's confidence that monthly price rises over the past quarter would average 5 per cent has been unjustified. The October figure is likely to be over 12 per cent, and would have been much higher if a batch of government authorised price increases had not been delayed to the start of this month.

While Brazil probably achieved its third-quarter target for the public sector deficit—the figures have not been published yet—the Government is bracing itself to face the uncomfortable fact that the nominal end-year total of Cr 19,350bn (£15.8bn) will probably be breached. In turn, this could threaten to provoke another suspension of IMF disbursements in March next year.

Sr Pastore is expected today to try to persuade IMF officials to take as its indicator the real reduction of the public sector deficit in terms of the gross domestic product.

How Brazil improved its trade surplus, Page 6

Chile asks creditors for 90-day moratorium

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CHILE has asked its 611 creditor banks for a further 90-day debt repayment moratorium while its completes the legal paperwork needed to reschedule some $3.4bn in loans falling due this year and next.

Basic agreement on the rescheduling was reached in July when creditor banks also agreed to lend Chile $1.3bn to cover its balance of payments deficit. But Chilean Government officials and leading creditor banks are still working on a legal contract to cover the rescheduling of public and private sector debt.

Sr Carlos Caceres, Chile's Finance Minister, said in his telex to creditor banks that Chile was "on the verge of *completing a model restructuring* agreement which will allow individual Chilean borrowers to proceed with signature of their doht rescheduling arrangements.

It is understood that the agreement could be completed this month, which would mean that the new debt moratorium would be the last temporary arrangement imposed by Chile. *It is scheduled to run until* the end of January next year—exactly one year after rescheduling talks first started.

Terms of the moratorium will allow hanks that have been receiving interest at a margin over eurodollars to *switch* to the more lncrative prime rate. This is a once-and-for-all concession by Chile and it follows a series of arguments on Latin American debt rescheduling committees about what borrowers perceive as the sharp practice of banks seeking to switch reference interest rates to obtain the most lncrative deal.

Elsewhere in Latin America, *slow progress* with Venezuela's efforts to reschedule $18.4bn in debt falling due this year has led to worries that some individual creditor banks may seek to negotiate side deals with their borrowers. This would break the solidarity needed in the *banking* community to push through a rescheduling on the best possible terms.

Liko Chile, Venezuela is now seeking a further 90 day debt repayment extension. Sr Arturo *Sosa, its finance Minister,* says that interest on direct public sector debt has been brought up to date and more interest payments are coming in from private sector borrowers whose debt is guaranteed by the state.

Bankers in New York say that Venezuela has reduced its public sector interest arrears to around $50m to $70m, but the country's inability to negotiate an economic programme with the IMF ahead of next month's elections and continuing arrears on private sector debt payments are hampering progress on the rescheduling.

Sr Sosa claimed in his telex *that arrangements for the private* sector to purchase dollars for debt service purposes are now in place and "a substantial flow of interest payments *is now possible.*"

Grenada's junta 'forewarned of invasion'

By Canute James in Kingston

MR EDWARD SEAGA, Prime Minister of Jamaica, has claimed that the ruling military junta in Grenada which was toppled last week, was forewarned of the impending invasion by a Caribbean *head of government.*

Speaking at a party political meeting in central Jamaica, Mr Seaga said the warning was given to Gen Hudson Austin, Grenada's former military ruler, *immediately* after a regional summit in Trinidad the weekend before the invasion.

Without naming the head of government against whom he was levelling the accusation, Mr Seaga said the warning to the Grenadians had "put at risk the lives of Americans on the island and Sir Paul Scoon, the Governor-General."

***Government officials here,* however, have said privately that Mr Seaga's attack was aimed at Mr Forbes Burnam, the President of Guyana, who last week described the leaders backing the U.S.-led invasion as "puppets and satellites" of the U.S.**

U.S. landing fails to find Cubans

By Anthony Robinson

***TWO* companies of U.S. marines made a pre-dawn landing from helicopters and landing craft on Carriacou island off Grenada yesterday but returned to base after ground searches had revealed no trace of armed Cubans or Grenadians, or arms caches.**

The Pentagon meanwhile confirmed that at least 12 patients died when U.S. planes *mistakenly* strafed the mental hospital in the capital St Georges on Tuesday.

On the island itself, shops and markets re-opened and armed *resistance appears to* have ceased.

In St George's U.S. State Department official Tony Gillespie, who is acting as *U.S. charge d'affaires in* Grenada, met Sir Paul Scoon, the Governor-General to discuss arrangements for establishing an interim government and preparing for general elections.

From Barbados, Mr Guy Farmer, a U.S. information officer, told Reuters that the U.S. had *no intention* of turning Grenada into a U.S. base.

Cuba, meanwhile, has protested about U.S.-imposed delays on the repatriation of over 50 wounded Cubans on a specially chartered Red Cross plane. A further 600 uninjured Cubans are similarly awaiting permission for repatriation about a British ship.

Nicaragua, meanwhile, sought to overcome the U.S. veto of a UN security council resolution *calling* for withdrawal of troops from Grenada by requesting an emergency debate on the Grenadian crisis at the General Assembly. Approval for a debate will require a *two thirds majority* of the delgates.

The U.S. has opposed the idea of an emergency debate but not a debate as such. It *criticised Nicaragua* and supporters of the motion for "displaying extreme hypocrisy and callousness towards the aspirations of *ordinary Grenadians.*"

Radicals want to examine the debt books

BY ROBERT GRAHAM IN BUENOS AIRES

ONE OF the best gauges of public confidence in Argentina is the parallel *market* for the dollar. Just before the election the peso rate against the dollar was pushed up by nervous buyers. But since Monday's election win by the Radicals, the peso has firmed notably. An *infectious sense* of optimism has permeated the business community even though no one has forgotten that Argentina is in the throes of its worst ever economic crisis.

Optimism centres around one element: *the clear Radical* majority. This gives the new government a moral authority to implement a policy which no one anticipated—not even the *Radicals* themselves.

The Radicals had planned to introduce a form of social contract, trading wage controls in return for job creation and *stimulating* growth. However, their encroachment on the Peronist trade unions vote and the very size of their 52 per cent majority now makes such *a policy* more feasible and likely to succeed.

The Radicals' economic team is considered fairly orthodox and is well known to the international banking community. The two key posts of the economy ministry and the governorship of the central bank are likely to go to Sr Bernardo Grinspun and Sr Enrique *Garcia Vazquez.* Sr Grinspun is a long-time associate of the Radical leader Sr Raul Alfonsin and was one of the persons who helped negotiate Argentina's debt in 1975, and is now a leading private banker. Sr *Garcia Vazquez* is a former economic counsellor in Washington and a former vice-president of the central bank. There is also talk of the veteran 82-year-old Dr Raul Plebisch acting in a key advisory capacity with particular responsibility for Argentina's $39bn *foreign* debt.

Dr Plebisch is an adviser to the UN and one of the most respected thinkers on the problems of third world economies.

The margin for manoeuvre is limited. The main priority of economic policy will be three pronged—to cut back Argentina's phenomenal 500 per cent inflation, stimulate a modest recovery in industry currently running at 50 per cent of capacity, and renegotiate Argentina's $39bn foreign debt.

Unlike Mexico and Brazil, Argentina accumulated its foreign debt in the last five years while its economy only grew at around one per cent. The Radicals are anxious to get a quick look at the books in the central bank because economists are convinced that the full picture of Argentina's foreign debt has not been revealed. In particular a number of military purchases are believed to have been made that have not been properly supported. Between 1976 and 1981 the military are reckoned to have purchased $9bn to $11bn worth of arms.

In the issue of debt renegotiation the new administration is going to press harder for better terms, both for easier interest rates and longer periods of repayment. In 1984 Argentina has falling due $5bn of capital repayments in the public sector and $4bn in the private sector, with interest payments of $4.5bn. In addition there are payments overdue from 1982 and this year which are expected to bring the total to about $20bn. Argentina is in no position to cope with such a repayment. But the Radical economists believe that they will be able to show a *reasonable* trade surplus in 1983 of $2.5bn.

Thatcher stays adamant on Falklands

THE British Prime Minister insisted yesterday that the *election of a civilian government* in Argentina will in no way alter Britain's refusal to negotiate over the future of the Falkland Islands, Margaret van Hattem writes.

Britain was keen to resume *its economic and commercial* links with Argentina, she said *in reply to* Dr David Owen, the Social Democratic Party leader, but in the Falklands, the wishes of the islanders were still the prime *concern.*

This reinforces points made in a BBC radio broadcast on Sunday when Mrs Thatcher said that Britain would help tho *Falklands achieve independence* if the islanders wished it, though there would then be limits on British military assistance. But so long as the islanders wished to remain British, their right *to self-determination* should be upheld.

Mrs. Thatcher's remarks have dismayed Tory backbenchers, who feel the Prime *Minister has locked herself* into an untenable position.

U.S. Treasury postpones refinancing plan

BY STEWART FLEMING IN WASHINGTON

THE U.S. TREASURY yesterday postponed indefinitely the first leg of its $16hn (£10.6bn) quarterly funding after the Senate failed on Monday to approve a higher ceiling on the volume of Government deht permitted to remain outstanding.

The Senate had voted just before midnight on Monday not to approve an increase in the *Federal* debt *limit from its current* level of $1,389bn.

The decision on whether to follow the House and raise the deht limit had been bogged down in the Senate for four days by dehates over amendments attached to the deht Bill unrelated to Government financing, and hy efforts to hold the debt increase hostage against firm action in Congress to cut tho Federal Budget deficit.

The Treasury's decision to delay the first stage of its three-part quarterly refunding, planned for this week—the issue of $6.5bn of three-year notes—was one of several steps the *Government has been forced to* take because of the doubts raised about its financing outlook.

It has had to halt sales of U.S. Savings Bonds and non-marketable Government securities and permit only $4hn of a scheduled $13bn social security funds to be invested in Treasury securities.

It is expected, too, that the remainder of the quarterly *refunding* planned for *today* and Thursday, will also have to be put off.

Measures to raise the debt limit have frequently been contentious, bnt it is rare for the Congress to fail to approve the increase when needed.

One reason wby this has happened now is that the U.S. Treasury has some $35bn of cash balances at banks and tho Federal Reserve, which means that it can continne to conduct its day-to-day business for several days and will not have to stop paying cheques and making other due payments.

It is widely predicted that now that some Senators have made their point, the Senate will in the next few days approve the debt increase. Meanwhile, warnings from Mr Donald Regan, Secretary of the Treasury, that a delay would add to the cost of the quarterly funding by raising the rate of interest which the Government will have to pay, have been borno out by market developments.

Dealings in the Government securities market have slowed sharply and prices bave drifted lower because of the uncertainty.

Reagan against N-restrictions

WASHINGTON — The Director of the *Arms Control and* Disarmament Agency said yesterday that the U.S. Administration strongly opposes legislation that would mandate more stringent U.S. controls on export of sensitive nuclear materials and technology.

He told a bearing of the House of Representatives Foreign Affairs sub-committeea on international security and *trade that two Bills — aimed at* preventing the spread of nuclear weapons — would involve a "virtual ban" on nuclear co-operation with nations that do not have *all their* nuclear facilities under International Atomic Energy Agency safeguards.

AP

Gemayel and Khaddam hold surprise meeting

BY ANTHONY McDERMOTT IN GENEVA AND PATRICK COCKBURN IN BEIRUT

FULL-TIME peace talks aimed at securing a lasting political compromise in Lebanon began in earnest in Geneva yesterday, marked by a surprise meeting in the wings between Lebanon's President Amin Gemayel and Syria's Foreign Minister, Mr Abdel-Halim Khaddam.

While details of either meeting were not made public, the talks between Mr Gemayel and Mr Khaddam were in themselves considered significant.

Syria has been a steadfast supporter of the Moslem opposition to Mr Gemayel's Christian-dominated Government in the country's civil war.

But, while Syria is still keen that the agreement signed in May between Lebanon and Israel for the withdrawal of foreign forces should be rejected, it is now seen to be anxious that the peace conference should not fail entirely.

The tone of the larger conference, which involves all of the country's warring factions, was decribed as "less glacial" than Monday's preliminary session. Nevertheless, the conference was unable to produce its expected communiqué on any progress.

It is felt in Beirut that, despite plans put forward by opposition leaders in Geneva for wide-ranging political and social reform, most Lebanese would be satisfied if sufficient degrees of unity would emerge to prevent a complete breakdown of the ceasefire.

Exchanges of artillery and sniper fire in the hills around Beirut continued yesterday, while fears grew among diplomats that a resumption of fighting involving the U.S. could follow President Reagan's pledge of retaliation against the group responsible for the bombs which killed 230 U.S. marines and 58 French paratroopers.

Israeli leaders yesterday asked Britain to end the arms embargo imposed after Israel's invasion of Lebanon last year, AP reports from Jerusalem.

The request came in talks with Mr Richard Luce, Minister of State for Foreign Affairs, the first British minister to visit Israel since Lord Carrington's trip in April 1982.

An Israeli official said his country had no plans to buy weapons from Britain, but the embargo had symbolic importance.

Britain is the last of the European countries to maintain the embargo.

The Lebanese Army would also need strong support from U.S. naval artillery and air strikes if it is to make any headway against the Government's opponents.

Options open to the 34,000-strong regular army include an effort to clear the ridge line overlooking the capital, part of which is held by Druze militiamen, or a move into South Beirut.

This is the stronghold of the Shiah Moslem sect, members of which are thought to be behind the attack on the marines.

An obvious target for retaliation is the Bekaa Valley town of Baalbeck, centre for a number of anti-U.S. groups in Syrian-controlled Eastern Lebanon.

These include the Hizbullah, a pro-Iranian militant Shiah organisation, which at a rally in Baalbeck was reported yesterday to have welcomed the bomb attacks.

Sheikh Mohamed Yazbek, a leader of the Hizbullah, described the suicide missions against the multinational force as "a good action because it shook America's throne and France's might."

Warning that further attacks would be made, Sheikh Yazbek said the conference in Geneva would fail and the key to a Lebanese settlement lay in the Israeli evacuation of South Lebanon.

Meanwhile, the Druze have allowed the evacuation of 210 Christian civilians from the blockaded town of Deir al-Qhamar. In any resumption of fighting, the 25,000 Christian refugees and 3,000 Christian militiamen i nthe town would be vulnerable to attack by Druze militia.

It was also being considered significant in Geneva that Mr Richard Fairbanks, the U.S. special presidential envoy, was personally monitoring the conference, and had met Mr Walid Jumblatt, the Druze opposition leader, and Mr Suleiman Franjieh, the former Lebanese President with close links to Syria.

Observers included not only Mr Khaddam but Mr Mohammed Ibrahaim Masoud, Saudi Minister of State for Foreign Affairs. Also in the wings was a senior member of Mossad, the Israeli secret service, who is known to be particularly involved with Druze policy.

S. Africans vote today on new constitution

By J. D. F. Jones in Johannesburg

WHITE South Africans go to the polls today to vote for or against a new constitution. The results — counted not according to parliamentary constituencies but in 15 regional areas—will be known by lunchtime tomorrow.

Opinion polls are banned in South Africa for the period preceding an election but most observers believe there will be a Yes majority of up to 60 per cent.

The No vote is split between the official opposition Progressive Federal Party (PFP) and the Conservative Party, the right-wing breakaway group from the ranks of the ruling National Party.

Some 2.7m whites qualify to vote. The Government has not yet indicated whether it will submit the constitutional proposals to a similar referendum in the Coloured and Indian communities, whom the new constitution proposes to bring into the white-dominated parliamentary system.

South Africa's 22m blacks have no standing in the poll, nor will their circumstances change under the new constitution. But their leaders have played a voluble role in the referendum campaign, unanimously rejecting the constitutional plan.

Many whites who are normally opponents of the National Party Government are expected to vote Yes on the argument that the constitution may have shortcomings but is "a step in the right direction."

S. African referendum, page 16

Muzorewa arrested on subversion charge

BY TONY HAWKINS

BISHOP Abel Muzorewa, a former Prime Minister of Rhodesia and now an opposition member of Parliament in Zimbabwe, was arrested by security police on Monday accused of subversive activities in connection with South African bandits.

A Zimbabwe Government statement yesterday said the Bishop had planned to travel abroad on a trip that would include a few days in South Africa "to be reunited with his intimate friends in the leadership of the South African Government."

The Minister of State for Security, Mr Emmerson Munangagwa, said the Bishop had been arrested under a new "Operation Chinyavada —Shona for scorpion—designed against "subversive elements connected with South African bandits."

It had been assumed earlier that Bishop Muzorewa's arrest was a result of his visit last month to Israel, on church business, during which he was reported as urging Zimbabwe to establish diplomatic relations with the Israelis.

Zimbabwe is strongly anti-Israel and at the weekend, the bishop was roundly attacked by Prime Minister Robert Mugabe for his reported suggestion.

But yesterday's statement from Harare renewed long-standing allegations by the Mugabe Government that the bishop was involved with 5,000 anti-Zimbabwe guerrillas being trained by the South Africans as part of their destabilisation programme in Southern Africa.

There was no firm news as to where the diminutive 58-year-old bishop was being held, but his family said that they believed he was being detained in Harare Central Prison.

The bishop was Prime Minister of the short-lived state of Zimbabwe-Rhodesia during 1978-79 prior to the Lancaster House Agreement that conferred legal independence on Zimbabwe in April 1980.

His political party was virtually wiped out at the pre-independence elections when it won only three of 80 seats for black MPs.

Since then, the bishop has maintained a low profile politically, occasionally emerging to accuse the Mugabe Government of being opposed to the Church and of seeking to establish a one-party state in Zimbabwe.

He is not a popular figure in Zimbabwe, where the majority of blacks regard him as a "sell-out," who sent his white-led troops and warplanes against the Mugabe-led Zanla guerrillas in Mozambique just before the Lancaster House talks started.

Bishop Muzorewa's family said yesterday that he had been arrested by agents of the Central Intelligence Organisation acting under Zimbabwe's emergency powers legislation which entitles the police to hold detainees indefinitely without trial. His wife, Maggie, and two of his sons tried unsuccessfully to see him and his lawyer was also said to have been refused access.

Bishop Muzorewa

Bishop Muzorewa denied at the weekend that he had suggested that Zimbabwe establish diplomatic ties with Israel.

Kirsty White, recently in Tigray, on the battles facing Mengistu

The threats to Ethiopia's stability

LT-COL MENGISTU Haile Mariam, the Ethiopian leader, recently celebrated the ninth anniversary of overthrowing Emperor Haile Selassie by releasing more than 1,000 prisoners, but at the same time castigating his countrymen for idleness, irresponsibility and thieving from nationalised industries.

He called for renewed efforts to build a socialist society and to defend the country against "the destructive mission of individualism and the plots of reactionaries and imperialists."

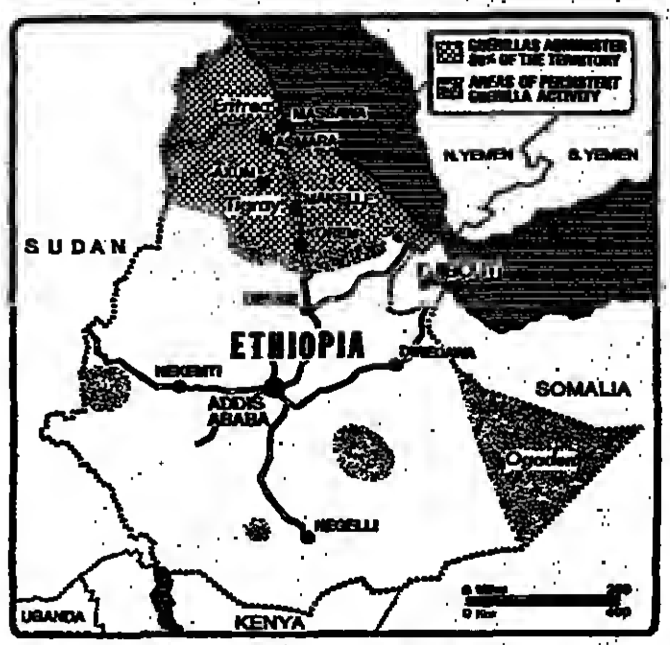
But he barely mentioned the two greatest threats to the stability of his regime: widespread drought through much of Northern Ethiopia and the continuing challenge of guerrilla movements seeking devolution of power or outright independence for some regions.

Despite increasingly large-scale Soviet military assistance, Lt-Col Mengistu has failed to control the spread of such movements—operating from Eritrea and Tigray in the north, to the Ogaden in the south-east, and Sidamo in the far south—while trying to cope with a drought affecting more than 2m people in Eritrea, Gondar, Tigray and Wollo similar to the 1972-74 drought which was a major factor in the downfall of the former regime.

The province most seriously affected both by drought and the guerrilla conflict is Tigray, where three years of failed rains havs caused widespread famine and caused mass population movements in search of food. Moreover, international relief efforts have been severely hampered by having to operate on both side of the bitter war in which the Ethiopian Army is facing the Tigray People's Liberation Front (TPLF).

On a four-week trip with officials of the Relief Society of Tigray (Rest), the humanitarian wing of the TPLF, I saw evidence to suggest thet effective military and administrative control has been established over as much as 85 per cent of the province. All that is left in the control of the Ethiopian armed forces, after eight years of war which have included several offensives, is a handful of garrison towns and the main roads between them.

The TPLF has become one of the most successful nationalist movements fighting in Ethiopia, along with the Eritrean People's Liberation Front (EPLF) in neighbouring Eritrea. Yet, unlike most self-styled liberation movements, the Tigrayan demands are remarkably modest. The war is being fought not for secession, but merely for greater local autonomy.



THE PROTAGONISTS

● Tigray Peoples Liberation Front (TPLF): Operating since 1975 in Tigray Province and more recently with other organisations elsewhere. Aim is self-determination of the estimated 4.5m to 5m Tigrayans. Controls up to 85 per cent of Tigray.

● Ethiopian Peoples Democratic Movement (EPDM): Multinational movement whose objective is the formation of a democratic, independent Republic of Ethiopia. Operating since the end of 1980, most recently together with TPLF.

● Eritrean Peoples Liberation Front (EPLF): Formed in 1970 and aiming for the independence of the ex-Italian colony of Eritrea, annexed by Ethiopia in 1962. Controls up to 85 per cent of Eritrea. In 1980, Ethiopia rejected an EPLF referendum proposal for the territory.

● Eritrean Liberation Front (ELF): Operated in Eritrea from 1961 until August 1981, when it was pushed out by EPLF forces. Severely weakened by internal dissent, it split into three factions.

● Western Somali Liberation Front (WSLF): Operating in the Ogaden and reaching its peak with direct Somali Army support in 1977, but, after their 1978 defeat at Ethiopian hands, WSLF restructured itself with the aim of achieving the self-determination of Western Somalia.

The origins of the conflict go back to the turn of the century, when the province was incorporated into the expanding Ethiopian territory of Emperor Menelik. After years of sporadic protests, matters came to a head in 1974, when the former Ethiopian Government refused to acknowledge the last disastrous drought in Tigray and Wollo provinces. That resulted in the death of thousands of peasants in the central highlands, and fuelled the revolt which caused the regime'a downfall.

However the new regime failed to live up to its promises to grant a measure of local autonomy to the outlying provinces, which had so long resented the rigid authority of the Amhara dynasty in Addis Ababa. If anything, central control became stricter. So, in 1975, the Tigray National Organisation set up to foster the cultural identity of Tigrayans, began military operations in the north of the province. In the last eight years it has gradually extended its influence to control most of the countryside.

The TPLF is essentially a peasant-based movement, and its educated young leaders, many of them teachers or students, have made big efforts to develop civilian services and organisations such as health co-operatives and women's associations in the wake of their military operations.

However, the prolonged drought has wreaked havoc on the life of the province. Huge numbers of the population of the central, southern and eastern regions have been forced to move to the west of Tigray, the only part unaffected, in search of food, shelter and support. More than 500,000 people in the western region are now almost totally dependent on relief supplies distributed through the Rest organisation.

The problem for the international aid agencies is that they have to perform a political balancing act to be active on both sides of the front lines.

As far as fund-raising is concerned, most of the organisations set aside an agreed proportion of cash donated for Ethiopian relief to be used in the guerrilla-controlled areas. In Tigray, Rest is the only organisation actually implementing relief operations: the role of donor agencies is limited to information-gathering and monitoring aid distribution.

In spite of the difficulties, more belated aid is now reaching the famine-stricken population in TPLF-controlled areas. Some 2,000 tonnes of donated grain and medicine have been trucked into distribution centres and clinics in Tigray's western region where fugitives from the drought gather about every 10 days for emergency rations before dispersing again to surrounding villages.

Now that the big rains have finished, transport across the territory will be quicker. But relief agencies active in the operation point out that a further 120,000 tonnes of grain must be shipped into Tigray by December to avoid both widespread starvation and massive emigration.

The case of Tigray illustrates the paradox of Ethiopian politics. By refusing to recognise the right of the Tigrayans to a degree of self-government, the Addis Ababa regime is drawn into a fruitless spiral of violence, matched by the growing military strength of the TPLF demonstrated by recent incursions into the heartlands of Ethiopia, in Wollo and Gondar, far from its native bases.

On the other hand, the military aims of the TPLF are necessarily limited. The might of the Ethiopian machine, supported and continuously re-inforced by sophisticated and expensive Soviet weaponry and air cover, is unlikely to be crushed by guerilla forces.

In the long-run, a political settlement is the only solution to the military stalemate. However, if the TPLF fails to make any progress with its current demand for autonomy within a democratic federation of Ethiopia, it may be forced to pursue the more radical path to secession and independence.

Kohl missile pledge to Nakasone

BY JUREK MARTIN IN TOKYO

DR HELMUT KOHL, the West German Chancellor, yesterday assured Mr Yasuhiro Nakasone, Japan's Prime Minister, that the West would oppose any moves by the Soviet Union to relocate any of its SS-20 missiles now based in Europe in the Asian theatre.

Mr Nakasone's insistence that any intermediate nuclear force agreement must be of global dimensions is well understood both in the U.S. and Western Europe, in spite of the possible complications it could cause in the currently unlikely event that the U.S. and the Soviet Union get down to serious bargaining in Geneva.

Mr Nakasone considers it important to get this point over for domestic consumption as well as to the succession of foreign leaders he is entertaining in Japan over the next month.

President Ronald Reagan of the U.S. is due in Tokyo o n November 9, while Hu Yaobang, the Chinese Communist party Secretary-General, arrives later in the month.

In the first round of talks with Mr Nakasone yesterday, Herr Kohl was reported to have said that West Germany would take delivery of new Pershing missiles as scheduled, to be operational late in December.

He added that be did not anticipate any meaningful exchanges between the U.S. and the Soviet Union in Geneva until after the missiles were deployed.

Herr Kohl's talks with Mr Nakasone were devoted to global issues; currently, West German-Japanese relations are largely devoid of friction.

Herr Kohl did not bring any of his senior Ministers with him to Tokyo,

Pakistan warns Afghanistan

ISLAMABAD — Pakistan's Foreign Minister Sahabzada Yaqub Khan claimed yesterday that helicopter gunships from Afghanistan had violated his country's airspace 44 times during the past six months.

He gave a warning that further instances could lead to "serious consequences."

He told the Federal Advisory Council that the armed forces had been put in a state of readiness to meet any future threats

AP

Moroccan troops in big Western Sahara offensive

BY FRANCIS GHILES

THE offensive which 18,000 Moroccan troops launched in the Western Sahara last week is the first military operation on this scale to take place in this former Spanish colony since October, 1982.

It comes at a time when discussions about the future of the territory within the framework of the Organisation of African Unity beve reached a stalemate: last July the OAU summit in Addis Abbaba adopted a resolution calling for a referendum of self-determination beforo the end of this year.

Meeting refused

King Hassan accepted the resolution, but has been adamant in bis refusal to meet representatives of the Polisario Front which have been fighting for the independence of the Western Sahara for the last 10 years.

Since the winter of 1975-76, when the Spanish left their former colony abruptly and Moroccan troops moved in, a stalo of intermitient warfare has reined.

In October 1982, the Moroccan garrison in Gueita Zemmour, in the central part of the Western Sahara, close to the Mauritanian border, was overrun by Polisario guerrillas.

Then, and for the first time since 1975, the guerrillas used SAM 6 missiles with which they inflicted heavy damage on Moroccan military aircraft.

Defensive wall

Since then, the Moroccan army has concentrated its efforts on building a defensive wall, which includes electronic surveillance equipment, along the Djebel Ouarkziz mountains in southern Morocco and around the north-western corner of the Western Sahara.

This includes the rich phosphate mines of BuCraa and the capital of the territory, El Aiun.

Polisario guerrillas have attacked these defences, notably at Lemsiyey last July.

The Moroccan offensive comes before a debate later this month on Western Sahara in the Decolonisation Sub-Committee of the United Nations.

BASE LENDING RATES

A.B.N. Bank	9 %
Allied Irish Bank	9 %
Amro Bank	9 %
Henry Ansbacher	9 %
Arbuthnot Latham	9 %
Armco Trust Ltd.	9 %
Associates Cap. Corp.	9½%
Banco de Bilbao	9 %
Bank Hapoalim BM	9 %
BCCI	9 %
Bank of Ireland	9 %
Bank Leumi (UK) plc	9 %
Bank of Cyprus	9 %
Bank of Scotland Ω	9 %
Banque Belge Ltd.	9 %
Banque du Rhone	10 %
Barclays Bank	9 %
Beneficial Trust Ltd.	10 %
Bremar Holdings Ltd.	9 %
Brit. Bank of Mid. East	9 %
■ Brown Shipley	9½%
CL Bank Nederland	9 %
Canada Perm't Trust	10 %
Castle Court Trust Ltd.	9½%
Cayzer Ltd.	9 %
Cedar Holdings	9 %
■ Charterhouse Japhet	9 %
Choulartons	10½%
Citibank Savings ¶	10½%
Clydesdale Bank	9 %
C. E. Coates	9½%
Comm. Bk. of N. East	9 %
Consolidated Credits	9 %
Co-operative Bank *	9 %
The Cyprus Popular Bk.	9 %
Dunbar & Co. Ltd.	9 %
Duncan Lawrie	9 %
E. T. Trust	9½%
Exeter Trust Ltd.	10 %
First Nat. Fin. Corp.	11 %
First Nat. Secs. Ltd.	10½%
Robert Fraser	10 %
Grindlays Bank †	9 %
■ Guinness Mahon	9 %
■ Hambros Bank	9 %
Heritable & Gen. Trust	9 %
■ Hill Samuel §	9 %
C. Hoare & Co. †	9 %
Hongkong & Shanghai	9 %
Kingsnorth Trust Ltd.	10 %
Knowsley & Co. Ltd.	9½%
Lloyds Bank	9 %
Mallinhall Limited	9 %
Edward Manson & Co.	10 %
Meghraj and Sons Ltd.	9 %
Midland Bank	9 %
■ Morgan Grenfell	9 %
National Bk. of Kuwait	9 %
National Girobank	9 %
National Westminster	9 %
Norwich Gen. Tst.	9 %
R. Raphael & Sons	9 %
P. S. Refson & Co.	9 %
Roxburghe Guarantee	9½%
Royal Trust Co. Canada	9 %
Standard Chartered ‖	9 %
Trade Dev. Bank	9 %
TCB	9 %
Trustee Savings Bank	9 %
United Bank of Kuwait	9 %
United Mizrahi Bank	9 %
Volkskas Intnl. Ltd.	9 %
Westpac Banking Corp.	9 %
Whiteaway Laidlaw	9½%
Williams & Glyn's	9 %
Wintrust Secs. Ltd.	9 %
Yorkshire Bank	9 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%. £10,000 up to £50,000 6½%. £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—8.90%. Effective annual rate—9.27%.

هكذا منذ الأجيال

WE CARE ABOUT YOUR POCKET.

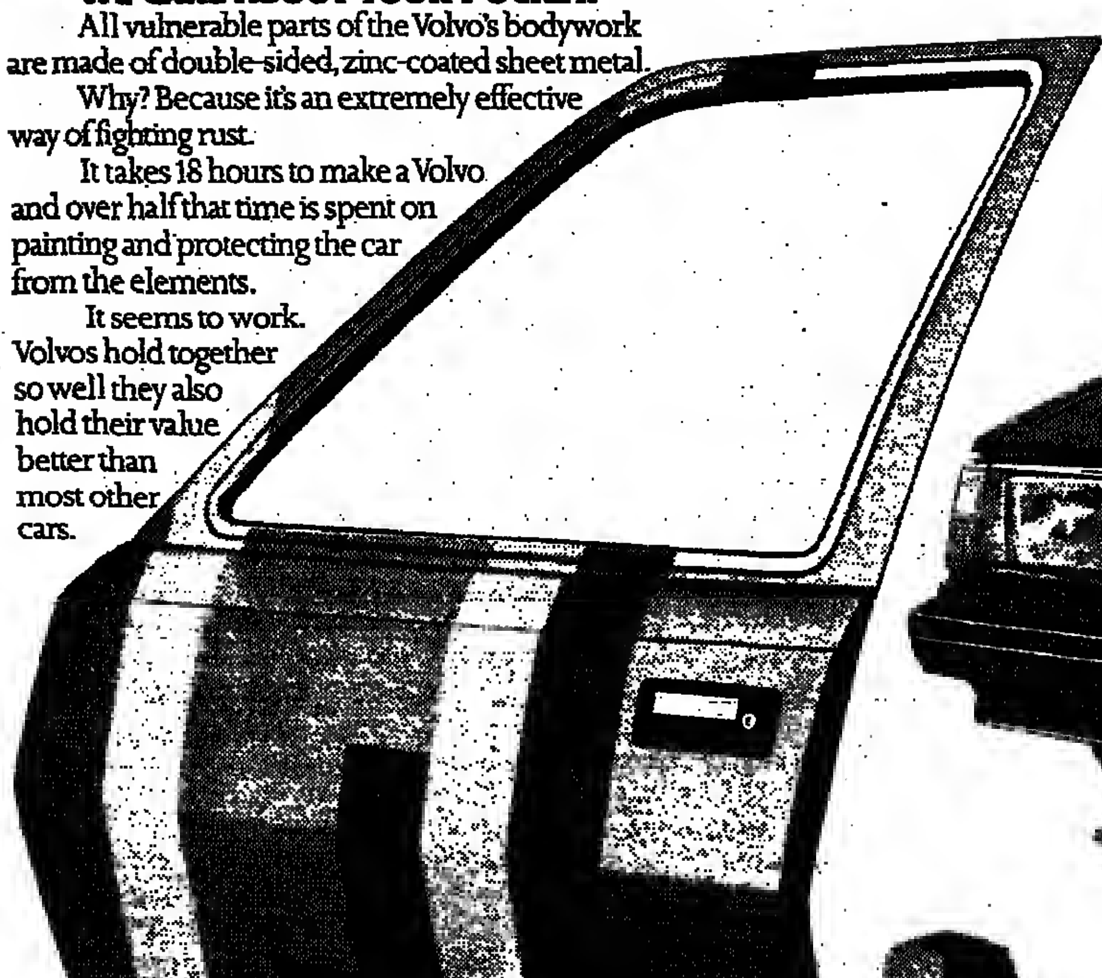
All vulnerable parts of the Volvo's bodywork are made of double-sided, zinc-coated sheet metal.

Why? Because it's an extremely effective way of fighting rust.

It takes 18 hours to make a Volvo and over half that time is spent on painting and protecting the car from the elements.

It seems to work.

Volvos hold together so well they also hold their value better than most other cars.



WE CARE ABOUT YOUR CHILDREN.

The Volvo estate is the best selling luxury estate car in Britain so we carry a lot of children. (And with them a lot of responsibility.)

We pioneered the fitting of front and rear seat belts, the use of laminated windscreens and carefully designed child safety equipment.

WE CARE ABOUT YOUR NECK.

The car you see below belonged to a Mr. Jamieson who lives in the Shetland Isles.

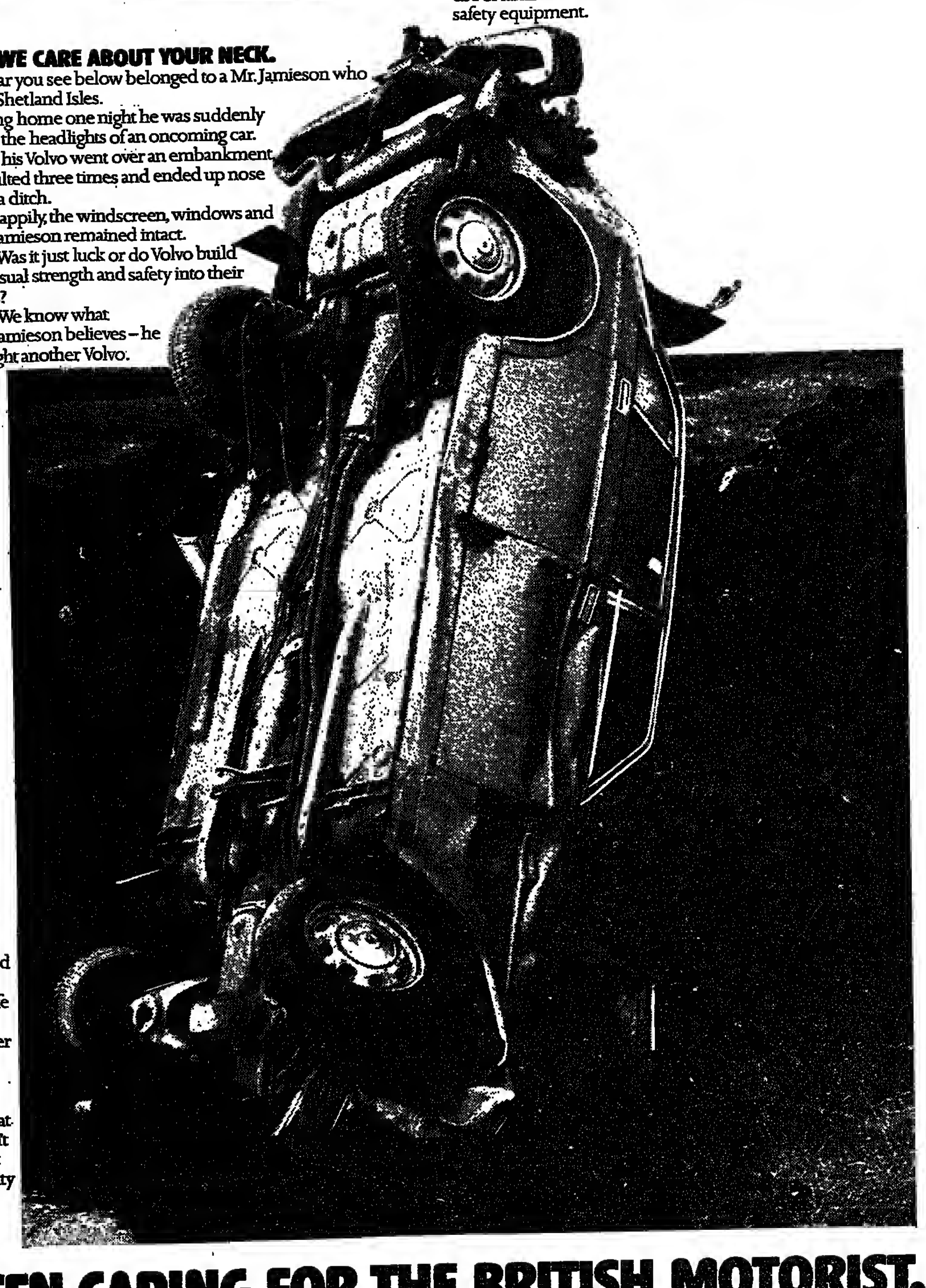
Driving home one night he was suddenly blinded by the headlights of an oncoming car.

Sadly, his Volvo went over an embankment, somersaulted three times and ended up nose down in a ditch.

Happily, the windscreen, windows and Mr. Jamieson remained intact.

Was it just luck or do Volvo build unusual strength and safety into their cars?

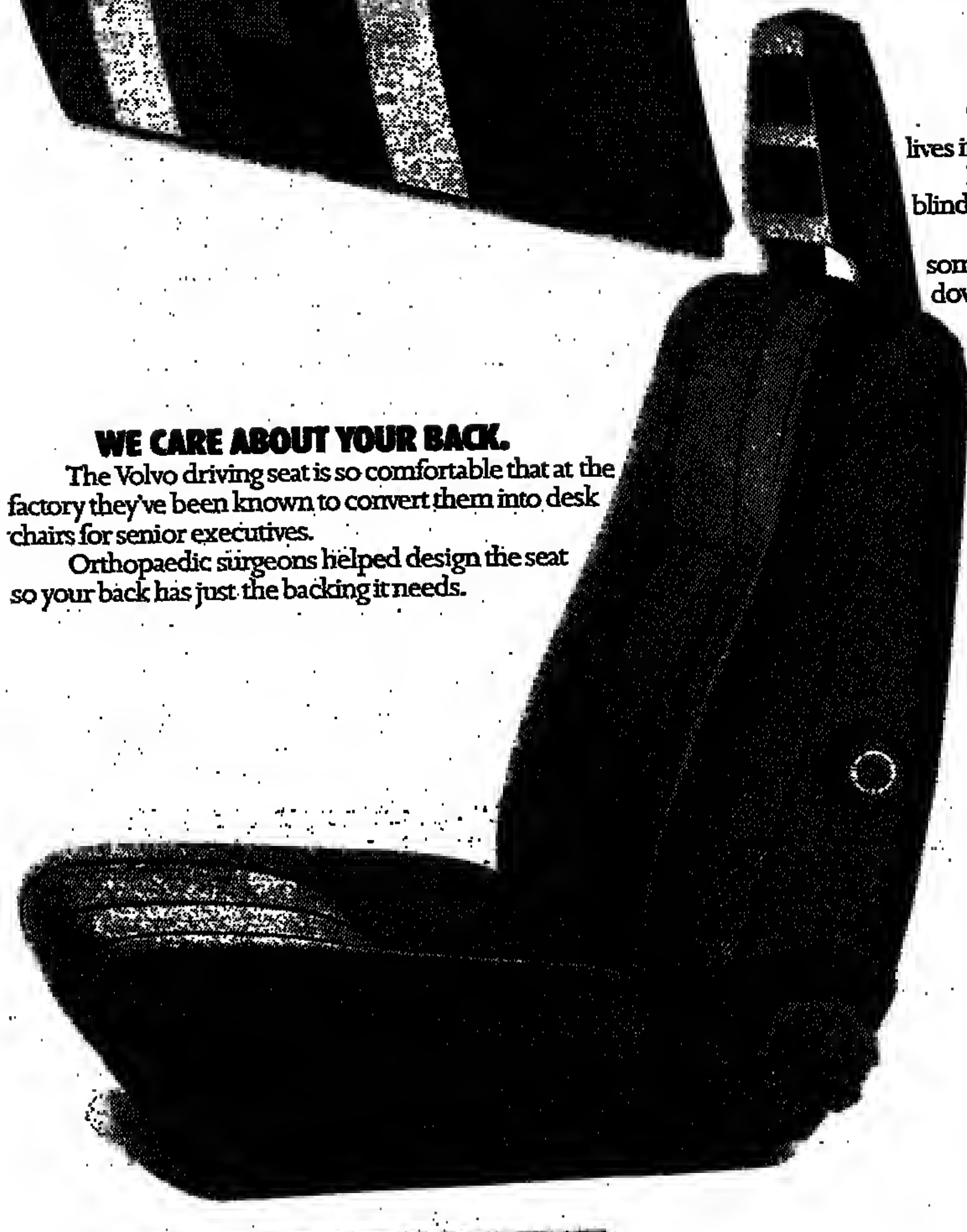
We know what Mr. Jamieson believes – he bought another Volvo.

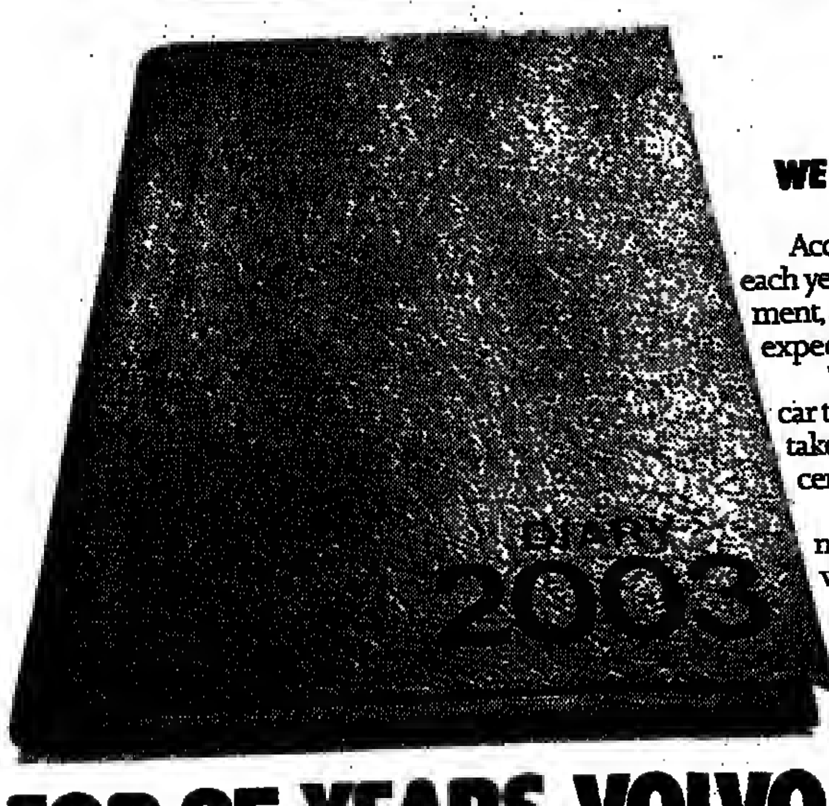


WE CARE ABOUT YOUR BACK.

The Volvo driving seat is so comfortable that at the factory they've been known to convert them into desk chairs for senior executives.

Orthopaedic surgeons helped design the seat so your back has just the backing it needs.





WE CARE ABOUT YOUR FUTURE.

According to statistics gathered each year by the Swedish government, the Volvo has an average life expectancy of 19.3 years.

That's longer than any other car tested and good enough to take you well into the 21st century.

Of course, we know that most of our customers don't want to keep their cars that long but that kind of quality does keep them buying Volvos.

FOR 25 YEARS, VOLVO HAVE BEEN CARING FOR THE BRITISH MOTORIST.

It seems as though Volvos have been around for ever.

Yet, in fact, we only started importing them in 1958.

In our first year we advertised the car as being "For the fortunate few."

An early example of truth in advertising for we had very few customers.

Just 47 to be precise.

The next year, business started looking up and it's been that way ever since.

This year, we'll register over 60,000 cars.

On our 25th anniversary we'd like to thank all our Volvo dealers.

Without their skill and professionalism we might still be stuck with our original slogan.

We'd like to thank, too, all our British suppliers from whom we buy more than £100 million worth of components each year.

But most of all we'd like to thank our customers and pay tribute to our car.

Over 80% of the Volvos we've sold here are still on the road.

A staggering thought.

And the best advertisement any car maker could have.

To: Volvo Concessionaires, Lancaster Rd, Cressex Estate, High Wycombe, Bucks HP12 3PN. Please send me a Volvo 25th Anniversary Information Pack.

Name__________ FT1

Address__________

____

Postcode__________ VOLVO

WORLD TRADE NEWS

Japan fixes 1.85m limit on 1984 car sales to U.S.

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN IS to limit its exports of passenger cars to the U.S. to a maximum of 1.85m during the year beginning on April 1 1984, the Ministry of International Trade and Industry (Miti) announced yesterday.

Miti stressed that the decision to continue limiting car exports, which were first placed under restraint in the spring of 1981, was made unilaterally by Japan. It is an open secret, however, that the Japanese Government has come under heavy pressure from the U.S. to maintain the export restraint policy.

Agreement on the figure for exports in the coming year was actually reached on Monday during discussions between the Miti Minister, Mr Sosuke Uno, and the U.S. Special Trade Representative, Mr William Brock.

Mr Brock yesterday welcomed the Japanese decision which he said would allow Japanese car makers a "modest" sales increase in the U.S. next year while also meaning that "more new cars sold in America will be built in America." He went on to say that he hoped it would not be necessary for Japan to continue limiting its car exports to the U.S. beyond the spring of 1985.

Miti officials described the decision to continue export restraint as an "interim measure" designed to prevent a sudden upsurge of car shipments to the U.S. after the end of the original three-year period, during which the level of exports has been, in effect, frozen. They said that the first round of restraints had served the purpose of allowing the U.S. industry a breathing space during which to adjust to changes in the pattern of car demand following the 1979 oil shock.

The figure of 1.85m units fixed upon for 1984-85 represents a 10 per cent increase from the level of 1.68m units at which Japanese annual car exports to the U.S. have been pegged since April 1981. However, it does not follow that all of Japan's car makers will be allowed to increase their exports by as much as 10 per cent.

The 1984 export ceiling covers shipments by two Japanese car manufacturers, Suzuki and Isuzu, which were not given export allocations in 1981. Both companies are under contract to supply small cars to General Motors for sale in the U.S. under a GM label.

Japan's decision to continue restraining its car exports to the U.S. for at least one more year comes two weeks before a visit to Tokyo by President Reagan during which bilateral trade issues seem likely to figure prominently.

Apart from cars the two countries have been at odds over Japan's reluctance to enlarge its import quotas for farm products and over the alleged tardiness of Nippon Telegraph and Telephone (the state telecommunications entity) in increasing its foreign procurement. Mr Brock said he had made progress on these and other issues during three days of talks in Tokyo, but declined to give details.

India wants own ships to carry 40% trade

By K. K. Sharma in New Delhi

THE INDIAN Government plans to bring legislation to make it obligatory for at least 40 per cent of all cargo imported by and exported from this country to be carried in Indian ships. This is meant to improve the finances of government and private shipping companies which are at present suffering heavy losses.

Before the recession in shipping, about 33 per cent of cargo from and to India was carried in Indian ships but last year this fell to less than 25 per cent. The reason is the insistence of overseas customers—particularly Japan which buys substantial quantities of Indian iron ore—on using their own ships.

Shipping Ministry officials say that the legislation contemplated is in conformity with the U.N. liner code and claim that several other countries have enacted similar laws.

Cargo imported by and exported from India last year was 98m tonnes and is expected to grow because of the increase in trade, particularly imports of substantial quantities of wheat to build up buffer stocks.

Pakistan to buy 15 new ships

By Mohamed Aftab in Islamabad

PAKISTAN will buy 15 new vessels of various types, costing Rs 3.3bn (£185m) in order to expand services of the state-owned Pakistan National Shipping Corporation and replace old ships.

The purchases will be financed partly out of the company's earnings, but the bulk of the money will have to be arranged by the Government from its own resources or foreign credits. The purchases may take three to five years to materialise, depending on the availability of cash.

The ships required, for which prospective suppliers have yet to be selected, will include four containers, five general cargo vessels, four bulk carriers, one oil tanker and one product carrier vessel.

The shipping company's present 42 vessels have an average age of 11½ years. Three are planned to be scrapped this year.

Kuwait to fund gas project off Bombay

The Kuwait Fund for Arab Economic Development has agreed to provide credits worth $50m to India for the first phase of the offshore South Bassein gas project near Bombay, our New Delhi correspondent writes. The agreement was signed by officials of the Fund and the Indian Ministry of Finance. The project aims at producing 20m cubic metres of gas a day from the field located about 65 km west of Bombay.

Airbus may have to reduce output to three a month

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing group, may be obliged to cut its production rate even more severely than originally planned next year, if the current slump in orders from the world's airlines continues.

The group, for which British Aerospace builds the wings for both the A-300 and A-310 Airbuses, has a capacity for up to eight aircraft a month from its Toulouse, France, assembly line.

This has already been reduced to five aircraft a month to meet a shortfall in orders, but may now be trimmed further to three aircraft a month in 1984.

M Roger Beteille, managing director of Airbus, told Reuters that the drop in airline orders was hitting Airbus along with other manufacturers.

The European group was likely to have up to 20 or so undelivered aircraft on hand by the end of 1983, as a result of delivery delays and cancellations of orders.

But M Beteille remained confident of the long-term revival of demand. "The need is there, and nothing leads us to doubt the development of air transport," he said.

Over the next 15 years the world market could amount to between 6,000 and 7,000 aircraft, and Airbus Industrie expected to fill at least one-third of that market.

"Right now, there is no market for new aircraft in the U.S.," said M Beteille. Airlines there could not make even medium-term projections, since their profitable operations could be taken over easily by competitors.

Airbus is nevertheless pushing its sales programme worldwide. It is currently discussing major sales opportunities in both Australia and China, although both countries present problems.

In Australia, Airbus has been offering participation in development of the project A-320 150-seater aircraft to meet that country's demand for industrial compensation for any aircraft order.

Philip Marvin examines Britain's Latin American trade problems

Debt problems cloud UK export prospects

"AT THE MOMENT we're going backwards, we've got to start trying to go forwards," remarked Mr Paul Channon, the UK Minister for Trade. The subject was Latin America, an area that has proved to be a major headache to his predecessors.

Mr Channon: "we must be more selective"

Mr Channon is off this week to Iraq, Kuwait and Cyprus and has already visited Italy, Yugoslavia, Greece, Colombia, Venezuela and Trinidad in the four months since he took up his post. But following his ten-day tour of the latter three countries at the end of September, it is Latin America that is uppermost on his mind.

While the region's market potential is huge, Latin America last year took just 1.7 per cent of total British exports. Mexico was Britain's largest Latin American market last year with exports valued at £162.9m, placing it in 45th position overall.

Trade going the other way has been equally disappointing with Latin American exports accounting for 2 per cent of total 1982 UK imports. This year looks like producing a record low for exports. Provisional figures up until August this year show exports to Latin America have fallen by 35 per cent from last year to £434.5m, while imports rose from £780.46m to £928.10m, leaving Britain's trade imbalance with Latin America at £493.5m.

While Mr Channon admits the figures are depressing, he considers it unfair to examine bilateral balances in isolation.

He and his advisers accept the view taken at the Williamsburg economic summit last spring that it is right that developing countries which are deep in debt should be able to export to the developed countries as a means of helping to pay off those debts.

But the problem he faces is that if countries such as Brazil ($9bn trade surplus projected for 1984) are going to make an export-led recovery, trade imbalances, which presently are just about acceptable, are going to get out of hand, unless British exporters start making some kind of impression on the Latin American market. Their task will hardly be made any easier by the tightening of import controls, the raising of tariff barriers and the general shrinkage in most of the area's major markets in the wake of the world recession.

Faced with this gloomy prospect, his first strategy has been to rally his troops on the ground.

"Unlike Colombia and Trinidad and Tobago I didn't go to Venezuela with a team of businessmen to discuss trade prospects," he said. "I was in Caracas mainly to open a conference for commercial officers from British embassies throughout Latin America on the prospects and potential of the market. I came to listen to them, to find out how they saw the obstacles and how they would like to see us orient our trading effort."

The great message from the conference, says Mr Channon, was "the idea that we must be more selective and concentrate on areas of the market—which will vary in different countries—as to where our best bet is, rather than skim across the whole field and hope we will pick something up."

He admits this will involve quite a long process of evaluation and investigation. "We have got to find out the areas where we could do well and also interest British business here in trying to want to deal with it." That is where, says Mr Channon, the British Overseas Trade Board's Latin American Trade Advisory Group (LATAG) will be playing a full part. A full time chief executive has recently been appointed.

The chemicals industry has been identified as an area with strong potential, and studies as to how best to attack this market are presently under way.

Despite the debt crisis Mr Channon and his officials insist there is still a lot of cash business going on. His department estimates that the most indebted nation, Brazil, will import $8bn of non-oil imports this year. With long-term credit tight insurers assume Brazil will be paying cash for it.

Mr Cannon's job is made all the more difficult by Britain's policy of not participating in a proposed $2.5bn IMF World Bank export credit package for Brazil. Ferranti and Vickers, for instance, have recently had their hopes dashed for substantial orders by the virtual cancellation by Brazil of a corvette building programme.

However, there is some good news in Latin America and in particular in Colombia where British companies are bidding strongly for the contract to build a mass transit railway project in Medellin. A GEC-led consortium backed by £40m worth of aid from the government's Aid and Trade Provision is in with a good chance of clinching the £400m project. "Our bid was towards the bottom end—we are well placed," says Mr Channon.

UK TRADE WITH LATIN AMERICA

£ million

	UK IMPORTS January-August 1983*	UK IMPORTS January-August 1982	UK EXPORTS January-August 1983*	UK EXPORTS January-August 1982	Exports % Change
Argentina	0.159	58.348	3.258	34.443	−91.1
Bolivia	11.393	15.423	2.609	3.794	−31.2
Brazil	378.992	317.376	95.501	103.973	−8.1
Chile	73.935	77.332	26.310	33.584	−21.6
Colombia	39.392	21.443	32.099	31.983	+0.4
Ecuador	8.351	7.553	21.466	38.983	−44.9
Paraguay	1.921	1.731	11.548	11.107	+4.0
Peru	85.165	61.717	22.321	28.249	−21.0
Uruguay	25.260	17.915	6.784	9.923	−31.6
Venezuela	142.299	71.528	51.079	96.704	−47.2
TOTAL SOUTH AMERICA	766.867	670.366	272.975	394.743	−30.8
Mexico	110.060	53.326	66.419	134.309	−50.5
TOTAL CENTRAL AMERICA	161.242	110.099	161.612	274.319	−41.1
TOTAL LATIN AMERICA	928.109	780.465	434.587	669.062	−35.0

* Provisional

Source: Overseas Trade Statistics of the UK

How Brazil has managed to build up its trade surplus

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL has good prospects of reaching next year's trade surplus target of $9bn, a *sine qua non* in its balance of payments calculations for 1984, mapped out jointly by local officials and foreign creditors.

What is remarkable about this apparently matter of fact statement is that the goal is 50 per cent above the original 1983 goal of a $6bn surplus. Universally dismissed from the outset by everyone except the Government as being "out of the question," this year's trade estimate now looks certain to be comfortably exceeded.

Nor is it only the Government which is already heralding the likely achievement of a $9bn surplus in 1984. Leading private sector exporters such as Sr Laerte Setubal, no fan of official policies, also believe the target is "reasonable."

The recovery in the industrialised world and the maintenance of relatively stable oil prices are the two main external factors that Sr Carlos Viacava, Brazil's foreign trade chief, points to as critical next year. In addition, Brazil is banking on a good harvest from its leading commodity crops, notably soya and coffee.

Agricultural goods, which this year are likely to contribute about 40 per cent of Brazil's anticipated $21.7bn earnings abroad, are expected to turn in an even better performance next year. Crop acreages planted, particularly of soya, have expanded significantly while the market price outlook is favourable.

To reach a $9bn surplus on visible trade (Brazil has a structural invisibles deficit of around $4bn) Sr Viacava, in a recent exclusive interview, laid down the following guidelines:

- Oil imports will be cut further, by $1bn, thanks to higher output from Brazil's own offshore fields.
- The public sector ceiling on imports will be reduced from this year's $2.8bn to $2.6bn in 1984, a decline in real terms of over 10 per cent for the giant state companies.
- Provided the weather in Brazil is good, the aim is to cut wheat imports—mainly from the U.S. and Canada—by $200m to $1.4bn.
- Exports are targeted to grow by 10 per cent, half of which will be due to soya and the remainder to the percolating effects of last February's maxi-devaluation of the cruzeiro.

Sr Viacava is an outspoken defender of the maxi-devaluation of the cruzeiro last February as a critical factor behind the dramatic turnaround on the trade front. "For political reasons it was impossible to implement a maxi-devaluation last year," he said. In consequence Brazil ended up 1982 with a disappointingly small trade surplus of only $780m.

In the first nine months of this year the cruzeiro has been devalued, mostly through frequent, "crawling peg" adjustments, by 200 per cent. Inflation over the same period was 130 per cent.

Sr Viacava, who is technically the head of the state-owned Banco do Brasil's foreign trade department, Cacex, but in practice carries ministerial rank, played down persisting local sentiment that another "maxi" will soon be declared, saying the currency was no longer overvalued.

Much of the debate within Brazil over the viability of the Government's foreign trade policy centres on the tight corset it has wrapped around imports. In particular, there is growing concern among industrialists that the stays will squeeze the life out of many manufacturing companies dependent on imported raw materials and semi-finished goods. The chemical and pharmaceutical industries are particularly vulnerable.

The overall level of imports so far this year has been slashed by 23 per cent to an annual figure of only $15.2bn.

The Industrial Development Council (IDC), however, believes the fears are exaggerated. A report this week from the council estimated Brazil could achieve savings of up to $2bn a year on imports without imposing additional damage on industry.

It calculated that savings of $800m were possible in the capital goods industry through an import substitution policy. A further $800m could be saved in the chemical industry, $200m in steel.

Sharply reduced markets in Latin America and Africa are a major problem for Brazil. Sr Viacava pointed out that Brazil's exports to its Latin American neighbours had dropped from $5.5bn in 1981 to a miserly $1.7bn this year.

In contrast, Brazil has been able to push this year's likely trade surplus with the U.S., its largest single trading partner, to $2.4bn. For 1984 Sr Setubal reckons that $3bn is feasible.

The price paid for this boost has been a big jump in the number of anti-dumping suits lodged against Brazilian companies by aggrieved competitors. At present 46 separate cases are pending against Brazil in the U.S.

The most sensitive sector of all is steel where the Brazilians have come under heavy fire. The foreign trade chief was gloomy about the prospects of reaching agreement with the U.S. on the topic. "The quota we have been offered is ridiculous," he said, less than half the 1982 export level.

Nevertheless, figures produced by the Ministry of Industry and Commerce clearly demonstrate that Brazil is going in for hefty price-cutting on steel. Export volumes were up by 93 per cent between January and August while earnings rose by only 46 per cent, to $670m.

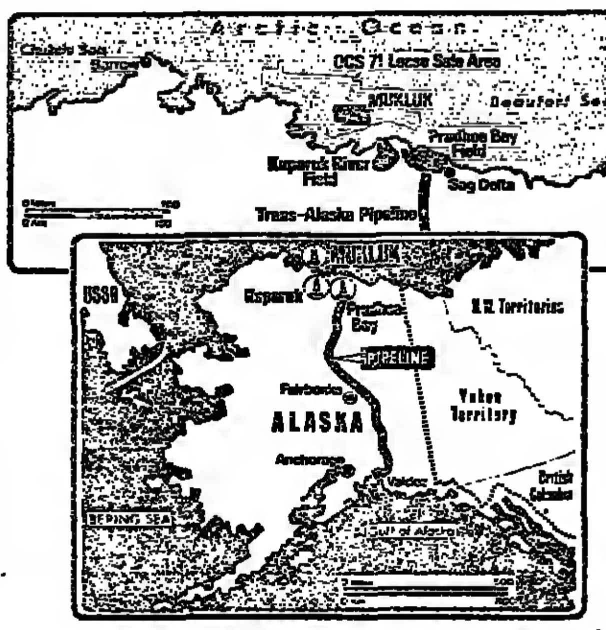
ENERGY REVIEW

Why the Mukluk well means so much to Sohio

By Richard Johns, Energy Correspondent, recently at Prudhoe Bay, Anchorage and in Cleveland

NEVER BEFORE has a single oil well been the subject of so much attention as the one being drilled on the miniscule, man-made island of Mukluk off Alaska's North slope. It was "spudded-in," or begun, yesterday, seconds after midnight when the autumn close season for drilling ended with the final, confirmed departure of bowhead whales, an endangered species, from the Beaufort Sea to the Barents Sea.

The urgency to proceed with the exploration as soon as the lifting of environmental restrictions allowed, the speed with which the infrastructure was prepared, and the cost of the project reflect the critical importance attached to the Mukluk structure by the 11 companies involved—not the least Standard Oil of Ohio and British Petroleum, its affiliate and 53 per cent majority shareholder.



Bob Hutchison

The significance of this speck, a mere 350 feet in diameter, in the ice-bound waters of Harrison Bay is underlined by the fact that Sohio spent more than $100m on behalf of the consortium constructing the island which lies in 48 feet of water. The formation of Mukluk required 1.25m cubic yards of gravel, enough to fill the Empire State building or to build a 143-mile four-lane highway. With the cost of drilling put at up to $30m or so, there can be little dispute with the contention of Mr Dave Lyburg, Sohio's executive vice-president for exploration, that "it will be the most expensive well ever drilled."

To obtain a share in the prospect companies spent more than $1.7bn on acreage related to the structure just over a year ago in the Federal Outer Continental Shelf 71 (OCS 71). Those which succeeded in getting a stake in the geological formation subsequently joined forces (see table). Sohio's outlay in the auction was $391m, sufficient to give it a provisional 31.4 per cent interest and the role of operator. BP originally spent $236m but subsequently traded off $46m worth of its newly acquired rights. Sohio in partnership with BP and Mobil, committed $227.2m, the highest for any area, for tract number 191, where the critical well will be drilled in the south-eastern corner.

Currently Mukluk is considered the best prospect in the U.S. Hopes focused upon it arise mainly from the geological similarity shown by seismic work to the nearby prolific Prudhoe Bay field, the largest ever discovered in the U.S.

Before last year's lease auction the U.S. Geological Survey calculated that Mukluk's reserves were anything from 500m to 4.73bn barrels with a median probability of 2.38bn. Sohio now puts them at about 5bn barrels or half Prudhoe Bay's 9.65n, Mr Lyburg says that about 1.5bn could be recovered giving a possible production plateau of 500,000 b/d —though not before 1991 at the earliest. The cost of development is estimated by the company at $7bn.

Independent experts have suggested that the expenditure involved could be twice as much, suggesting that the constraints are likely to be economic rather than geological. On the physical difficulties posed by prospects such as Mukluk, Mr Dick Jones, Sohio's drilling manager for Alaska, who was recently seconded by BP from its Aberdeen operational base, commented last week: "I am almost inclined to say that the North See is a piece of caka in comparison."

For there can be no certainty about a happy outcome for the investors. Mr Richard Hubbard, BP's exploration chief in the state, acknowledged: "It is impossible to say whether it (the Mukluk structure) contains oil, gas or water." In the absence of oil, gas would be no compensation. Because of the gas surplus in what oil men call the "Lower 48" states of the U.S. and the lack of a pipeline there would be no market for it.

Prudhoe Bay is the main reason for Sohio's exceptional financial commitment to Mukluk and the suspense over the drilling of the exploration well. BP discovered it in 1968 and transferred its share of the ownership to Sohio as part of the deal whereby BP gained its majority stake in the Cleveland-based company. The field has been a major factor sustaining the fortunes of the two companies since it came on stream in 1977. It is still producing at a rate of 1.5m b/d, the plateau achieved in 1979.

Despite a substantial investment in secondary recovery—running at a rate of $2bn annually—output from Prudhoe Bay is bound to decline sharply in the next few years. Sohio, which now has a 50.4 per cent share of the field, sees the fall-off in production commencing in mid-1986. Atlantic Richfield and Exxon, the two major partners in the venture both with a 20.38 per cent stake, are more optimistic, calculating that the slump could be delayed until 1988 or even 1990. Any such postponement could depend on difficult decisions about investment in enhanced recovery techniques — which would be required anyway to extend the life of the field. Either way, there seems to be no dispute that output will be no more than 700,000-750,000 b/d at a new lower plateau.

MUKLUK PARTNERS

	% share
Sohio	31.4
Mobil	15.8
Shell	14.0
Texaco	10.7
Diamond-Shamrock	10.4
British Petroleum	7.0
Placid	4.2
Amerada-Hess	2.8
Gulf	1.8
Koch	1.5
Elf	0.3

For BP, quite apart from its 7 per cent stake in the prospect, the implications are all too clear. Last year, on the basis of BP's replacement cost accounting system, the dividend from Sohio accounted for £562m of the group's net income of £716m. Indirectly, also the inevitable decline in Prudhoe Bay output will affect BP's profits because of its 16.59 per cent share in the Trans Alaskan Pipeline (TAPS) which contributed over £300m in revenue.

For Sohio *per se* Mukluk is of potentially vital significance because it badly needs new reserves and production to make good the shortfall when the yield from Prudhoe Bay declines. Sohio was the original component of John D. Rockefeller's Standard Oil and remains one of only 13 surviving entities out of the 34 created by the carve-up of that empire in 1911. Yet until the merger agreement with BP in 1969 it was essentially a regional and marketing company with little in the way of producing assets.

Possession of a majority share of the Prudhoe Bay field has not only transformed Sohio within a decade into an integrated oil company. Transfer of BP's Alaskan discovery also vaulted Sohio into the position of second biggest producer of oil in the U.S. after Exxon, the world's biggest oil corporation, and first spot as holder of reserves. Last year Prudhoe Bay gave Sohio a crude surplus over and above refinery requirements of about 300,000 b/d. It was the main contributor to a net income last year exceeded only by Exxon and IBM, both of them corporations with assets many times greater.

Last year Sohio's share of Prudhoe Bay accounted for 97 per cent of its total output of 695,000 b/d and an almost exactly similar proportion of 3.85bn barrels of commerial reserves recorded at the end of 1982. To the west of the giant field on the North Slope the company has a 9 per cent share (compared with BP's 28.6 per cent) in the Kuparak field operated by Atlantic Richfield. It is currently producing at 120-130,000 b/d and the yield to Sohio will rise as capacity is increased to 250,000 b/d under the phased expansion now in hand. Output from the Lower 48 is only 17,000 b/d at present.

Sohio, meanwhile, has only a modest standing in the league of U.S. gas producers. In a recent survey by the Oil and Gas Journal it was ranked 36th with an output last year of 90.7m cubic feet a day. That should rise by about a quarter, largely as a result of the build-up of production from the company's Brazos discovery in the Gulf of Mexico to 17.5m c.f.p.d.

Sohio has stepped up considerably its exploration effort with nearly 90 per cent of its budget devoted to the Lower 48, where prospects may be much smaller but cash-flow potential short-term, and aimed at gas discoveries. The company's fairly recent interest in the Gulf of Mexico has led to the discovery of two modest fields, Eugene Island and Mississippi Canyon.

The man-made island in the Beaufort Sea from which Sohio is drilling the first well into the Mukluk structure

In the OCS 72 auction for tracts in the gulf it bid successfully for 47 at a cost of $364m. It has built up a strong position in the Rocky Mountains "Overthrust Belt", the Andarko Basin in western Oklahoma, and the Salinas-Cuyama Basin in central California. Sohio is looking for a seven-fold increase in oil and gas output from the Lower 48 by 1992.

For Sohio the most immediate prospect of any substance is in Alaska, the Endicott structure near the Prudhoe Bay field and close to starting point of TAPS. Sohio estimates this marginal field contains some 300-350m barrels, about half of which would accrue to it. With completion of design and engineering studies a decision will be taken next year and the field could be on stream next year, giving Sohio 50,000 b/d by 1992. In addition, the Lisburne Reservoir underlying Prudhoe Bay, with an estimated 50m barrels, could be compensating for some of the decline by 1987.

Looking further ahead, Sohio has acreage in the St George's Basin in the Bering Sea, but exploration work has been held up by the opposition of the environmentalist and fisheries lobbies. Even if it could start tomorrow no production could be expected until 1994 at the earliest. Although the Navarin Basin has estimated reserves of 3.5bn barrels—for which Sohio is expected to bid heavily at the federal lease auction next March—its output prospects are even further in the future.

In the medium term the best single hope of making good the shortfall from Prudhoe Bay and forestalling a painful decline in Sohio's earnings must rest on Mukluk. The results of the first well drilled on the structure should be known by the third week of January. They will be awaited anxiously at Britannic House, London, as well as at Sohio's headquarters in Cleveland.

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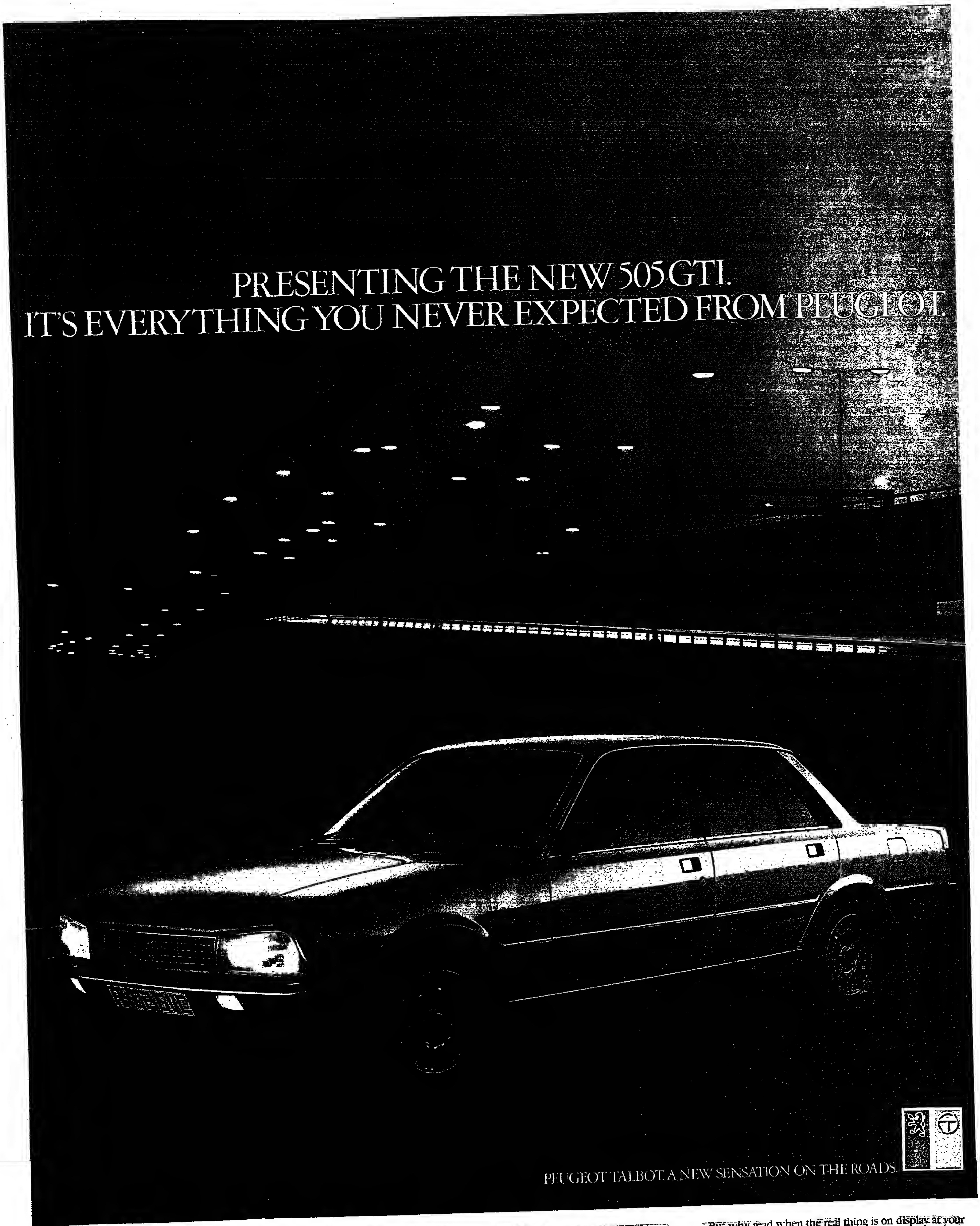

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UK NEWS

SURVEY OF MANUFACTURERS SUGGESTS SLOWDOWN IN PACE OF REVIVAL

CBI says recovery continues

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE RECOVERY of UK manufacturing industry, which gathered pace at the beginning of this year, is likely to continue for the next four months, according to the Confederation of British Industry (CBI), the employers' organisation.

Commenting on its latest quarterly survey of industrial trends, the CBI says that demand and output increased in the last four months but that there may be some tentative signs that the rate of growth is slackening. The survey covered 1,637 companies.

The CBI states: "Expectations for new orders and output are now slightly lower than in earlier surveys.

"In addition, the evidence about order books and mooths of guaranteed production, and the extent of 'orders or sales' as a likely restraint on output, also suggests that demand and output could rise slightly more slowly than earlier this year. On the other hand, the results do not by any means suggest that over the next four months, at least, recovery will fade away entirely."

It says the results point in continued difficulty in export markets, with little rise in export orders and UK firms still hampered by adverse levels of price competitiveness.

However, companies appear to have kept costs under control and their liquidity is reported to be improving.

The CBI says the survey suggests that investment should start to rise slowly from its recent very low levels. However, there does not appear to be a move to increase stocks substantially, although the recent phase of running down stocks appears to have ended.

The survey, which covers companies accounting for almost half the total employment in manufacturing industry, suggests that the total number of jobs is still declining. But in some sectors, output is rising fast enough for employment to pick up a little.

Overall, the CBI says that the rise in output, coupled with the decline in employment, suggests that manufacturing companies are still making substantial gains in productivity.

The survey suggests that in the past four months the inflationary pressures in manufacturing industry have been weak, with wage costs per unit of output rising at an extremely slow rate and little acceleration envisaged in the next four months. Manufacturers' prices are also rising at a slow rate.

Business confidence has continued to rise on balance, though at a slower rate. Nearly a quarter of companies are more confident about the general business situation than they were four months ago and only 15 per cent less confident.

Out of 44 industries represented in the survey, 30 report an increase in optimism. Falling optimism is most pronounced in the shipbuilding, iron and steel and paper industries. The most optimistic industries appear to be those making consumer and capital goods.

Just under a third of companies reported an increase in new orders in the past four months, with about a quarter expecting an increase in the next four months. The overall increase in demand reflects a sharp rise for consumer goods, a slight increase for capital goods and a slight decline for intermediate goods.

The volume of total orders reported in the previous quarter appears to have been maintained. But there has been no significant improvement since July, and 44 per cent of firms still regard their order books as below normal.

For the third successive period, companies reported an increase in the volume of their output, with about a quarter of them expecting a rise in the next four mooths. The CBI says the results suggest that manufacturing output has been rising steadily since early this year, particularly in the consumer goods sector.

Industrial Trends Survey Number 90, October 1983, from CBI Industrial Trends and Economic Forecasting Department, Centre Point, 103 New Oxford Street, London WC1A 1DU. £25 to CBI members and £37.50 to non-members.

John Aspinall's casino to join unlisted market

By Dominic Lawson

THE LONDON casino company, Aspinall's, is to join the unlisted securities market (USM).

Stockbrokers Kitcat & Aitken and Raphael, Zorn are offering for sale 7.8m shares at 115p each, valuing Aspinall's equity at almost £60m.

Of the shares being sold, 5.2m are those of Mr John Aspinall, the managing director, who opened the present Aspinall's club in 1978 with financial assistance from companies associated with Sir James Goldsmith.

Sir James is selling 2.6m shares to make up the rest of the offer, after which he and Mr Aspinall will each hold 40.2 per cent of the company. Sir James's stake is held through his Hong Kong company, Ultrabridge Holdings.

Aspinall's pre-tax profits have risen from £800,000 to almost £9m in the four years to September 1982.

Cruise base invaders 'risk being shot'

BY IVOR OWEN

ANY DEMONSTRATORS who penetrate the perimeter defences of the Greenham Common air base in Berkshire and pose a threat to the U.S. cruise missiles soon to be installed there, will run the risk of being shot, Mr Michael Heseltine, Defence Secretary, made clear in the House of Commons yesterday.

Mr Heseltine, who confirmed that a U.S. aircraft carrying support equipment for the missiles landed at the base yesterday, made an apparently off-the-cuff response when questioned about security.

He referred to a report that if any of the women demonstrators at Greenham Common succeeded in getting near the bunkers housing the warheads they would be shot. Mr Roland Boyes, a Labour MP, asked for an assurance that the military commander responsible for the base would be instructed that "in no circumstances will shots be fired at peace demonstrators".

Mr Heseltine replied: "I categorically will give oo such assurance." Waving aside angry protests from Labour MPs be said it had always been the absolute duty of all governments to defend nuclear weapons located in Britain, and to defend all the bases of the three services.

"To suggest now that we should abandon that policy is reckless," he said.

A Ministry of Defence spokesman said last night that there was oo question of demonstrators being shot down at the perimeter fence of any base.

The nine miles of fencing around the Greenham Common base were patrolled by civilian police, Ministry of Defence security staff, the RAF regiment and army personnel.

Armed servicemen were on duty inside the Greenham base, but the spokesman refused to disclose the rules of engagement which cover the circumstances in which the use of firearms would be organised.

Brown & Root offers stake in N. Sea vessel

Financial Times Reporter

BRITISH and Norwegian investors are to be offered the chance to buy about half the equity in a £150m floating crane now being designed for Brown and Root (UK) for use in the North Sea.

Brown and Root, an offshoot of the Texas-based Halliburton group, said the semi-submersible construction vessel, which it expects to have in service by the spring of 1986, would outclass any existing heavy-lift unit in the North Sea.

At present the Dutch company, Heerema, dominates the market for heavy lift operations in the North Sea and has an effective monopoly over the heaviest jobs.

Brown and Root's vessel will have twin cranes, each with a revolving lift capacity of 3,500 tonnes, creating a maximum combined capacity of 9,000 tonnes when the cranes are used in tandem in a fixed position. The capacity of Heerema's largest vessel falls some way short of this.

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Strong recovery in chemical industry output

BY CARLA RAPOPORT

THE UK chemical industry has made a strong recovery in output this year, the first sustained improvement in the sector for nearly four years.

According to the UK Chemicals Industries Association, output showed an overall growth of 5 per cent in the first eight months of 1983, compared with the same period last year.

Apart from a brief recovery in late 1981, this represents the industry's first solid upturn since the third quarter of 1979.

The improvement, however, has not been equally spread

Sales of organic chemicals and plastics bave been particularly encouraging, with growth rates of 5.9 per cent and 7.3 per cent respectively in the first seven months of the year. At the same time, inorganic chemicals and synthetic rubbers have remained in decline.

Major companies continue to stress the patchiness of the recovery. "Certain companies reported a considerable rise in advance orders during September, beyond the normal seasonal pattern, indicative of restocking by major customers," the association says.

Exports and home sales have been rising at fairly equal rates, but continue to be outpaced by rising imports.

Firmer demand and cutbacks in capacity have led to improvements in prices for most petrochemicals and plastics. Some temporary product shortages are reported. The improvement, however, has not been translated into substantially improved profit margins.

The association claims that producers have been squeezed between the high costs of its feedstocks and raw materials, which are priced in U.S. dollars, and the relatively low value of the D-Mark, the currency in which most European products are sold, against sterling.

Domestic sales output prices rose by 4.5 per cent this year, while the prices of raw materials and fuels rose by 7.7 per cent.

Recent developments in other cost components, such as the small decline in interest rates, and reductions in wage costs per unit of output, have been more encouraging.

If these trends continue, a recovery in profit margins may be forthcoming, the association adds.

Fleet Holdings rescues TV-am

By Raymond Snoddy

FLEET HOLDINGS, publishers of the Daily and Sunday Express newspapers, has come to the rescue of TV-am with a £2m investment which will give it 20 per cent of the enlarged equities of the commercial breakfast channel.

The Fleet stake is part of a £4.5m refinancing of TV-am which Mr Timothy Aitken, chief executive, and a grandson of Lord Beaverbrook, said secured the future of the company. At one stage this year, it was losing money at the rate of £1.6m a month.

Fleet, which will now be the second largest shareholder in TV-am after Aitken Telecommunications, got the shares for £1.25 each, the same price as the founders, when, according to Mr Aitken, "TV-am was a greenfield site".

Mr Ian Irvine, managing director of Fleet, will join the TV-am board.

The other £2.5m of the refinancing comes from existing shareholders, particularly Prudential Insurance, Barclays Merchant Bank and Aitken Telecommunications, the private investment vehicle of the Aitken family.

The refinancing and the restructuring of the company has to be approved by the Independent Broadcasting Authority.

TV-am said the deals approved at an extraordinary general meeting yesterday completed the company's restructuring process started by the new management six months ago.

Mr Aitken says the "argy-bargy" of the weekend when there were rumours that TV-am had collapsed and then that the refinancing was in difficulties, had accelerated the decision-making process.

Europe edges closer to the 'dream' credit card

Banks are on the threshold of a plastic cash wonderland. David Lascelles reports.

THE DAY when the European tourist can roam the continent with nothing but a plastic card that fits thousands of bank casb machines and payment terminals is less than five years away, probably as little as three.

This can be said with some certainty now that Eurocheque, the Brussels-based international payments system, has launched an ambitious scheme to pull together cash and payment points in more than a dozen countries.

At the same time, Visa, the international credit card organisation, bopes to link up half a dozen European countries with the U.S., Japan, Hong Kong and a few other countries by the end of next year.

New technology, of course, holds the key to these major advances in banking convenience which will allow a machine in Tokyo to issue cash to an itinerant Finn and debit his bank account in Helsinki. But the real challenge bas been to get banks to agree on a common denominator so that cards issued by bundreds of banks can activate thousands of different machines, and deduct the rigbt account for the rigbt amount – all quickly and securely.

It has, for example, taken Eurocheque two years to agree on a code that will pull together 19 different payment systems in 14 countries. This is quite an achievement for an organisation that bas 15,000 members and is still haunted by its failure 15 years ago to find a common code for clearing international cheques in Europe.

But it also marks a determined effort by European banks to thrust their co-operation into the electronic age, baving achieved signal success in the paper age with their standard Eurocheque, backed by a guarantee card which can be written in any European currency. It is now universally accepted by banks and, increasingly, by retailers.

By the 1985 holiday season, Eurocheque hopes to have 14,000 machines in the system, most with instructions in at least Englisb, French and German. That number will rise to 25,000 by 1988. A pilot project involving Midland Bank of the UK and various banks in Germany, France and Spain will be in operation in time for next summer.

Customers of participating banks will get a new Eurocheque card with a special magnetic strip and their own identification number. For security reasons, they will be able to draw only the equivalent of SwFr 300 a day. This is because the Eurocheque system is not "on line": cash machines cannot check a chardholder's account to see if there are sufficient funds to cover the withdrawal.

The Visa system, on the other hand, will be on line, which means banks will be able to offer a more flexible service, though there will probably be cash limits here too. Visa will have about 1,500 machines by next June. Most will be in banks but some will be specially installed in busy tourist locations such as airports. European countries in the scheme are Spain, France, Italy, Norway, Sweden and Finland.

The next step will be to link up more point-of-sale (POS) terminals – machines which debit a cardholder's account on the spot for purchases at shops, garages and hotels. But that will take longer because POS is still at an earlier stage of development than cash machines, though this sbould make agreement on a common denominator that much easier.

Mr Harald Omdal, director of the Norwegian Bankers' Association, who is heading the Eurocheque effort, says: "The scenario of the Scandinavian customer driving through Europe to Spain or Italy, paying at petrol stations, supermarkets and hotels at POS terminals and retrieving cash in local currency at any time any day from machines is not science fiction."

Mr Omdal believes it will all happen by 1988 at the latest.

Wonderful though these developments may seem for the traveller, (Eurocheque's German president, Dr Ulrich Weiss, calls it "a bit of the European dream"), they are creating something of a dilemma for banks.

The expense of setting up these systems is enormous and many large banks are boldiog back from committing themselves until the picture becomes clearer. In the UK, only Midland, for instance, is a full participant in Eurocbeque. The other three big banks (Barclays, NatWest and Lloyds) bave yet to participate. Barclays will probably go with Visa because its Barclaycard is already one of the biggest cards in the Visa group. NatWest seems to be veering towards Eurocheque.

In France, major banks have links with Eurocheque, but the market is dominated by Visa-associated Carte Bleue and it is still not clear which way they will go.

Ideally, the banks sbould pool their resources into one vast system. Several prominent bankers and credit card officials, including Visa and Master Card have already called for more co-operation, partly to save money and partly to form a united front against mounting credit card competition from retailers and other financial institutions.

Union casts doubt on validity of BT redundancy accord

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BRITISH TELECOM'S "no redundancies" agreement would not protect the jobs of its workforce if Mercury Communications succeeded in creaming off the most profitable parts of BT's business, the Court of Appeal was told yesterday.

That, at least, was the strong and widespread belief among members of the Post Office Engineering Union (POEU) employed by BT, the union's general secretary, Mr Bryan Stanley, said.

In a statement read to the court Mr Stanley said that the job security agreement negotiated between BT and the union, whicb is in dispute over privatisation bad not been designed to deal with the novel and unexpected situation created by the emergence of Mercury, the first private operator on the telecommunications scene.

Mercury is appealing against a High Court judge's refusal last week to grant temporary injunctions stopping the union's industrial action against the company. The POEU has instructed its members not to connect Mercury to the public network.

The judge accepted the union's argument that it was immune from legal sanctions because its action stemmed from a genuine dispute with BT over its fear that privatisation would lead to job losses.

When the appeal began on Monday, Mr Robert Alexander, QC, for Mercury, questioned the genuineness of the union's fear, and suggested that its members at BT were protected by the job security agreement which entitled BT to make workers redundant only in very tightly drawn circumstances.

Mr Alexander said that Mercury hed learned of the existence of the agreement only by chance last week, and he made some capital out of the fact that it had not been mentioned in the union's evidence.

Yesterday, Mr Stanley stated that the agreement allowed BT to abandon its undertaking on redundancies if a major manpower problem arose that was beyond BT's control.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Corporate identity

PA swallows a bitter pill

Christopher Lorenz on the UK consultancy's new strategy

IT WAS a rude shock, to say the least, for Britain's largest management consultancy to discover that the firm was not the first choice of its potential top clients to cope with *any* of the main problems of the day.

"A rather grey, unexciting overall image" is what PA International discovered that it and its many constituent parts possessed in the UK and its main foreign markets — Germany, France and the U.S. — when it undertook some painful self-examination last year as part of a thorough review of its strategy and structure.

To rub salt into the wound, the firm also found that its own employees considered it:

- to be conservative
- to have a confusing variety of products and services
- to be geared mainly to the problems of middle management (rather than the more senior echelons that it also purports to serve)
- to be a British-based conglomerate rather than an international company (which is what it has tried to be for many years).

PA — the initials stem from its original 1940s name of "Personnel Administration" — turned in record revenues and profits last year (£69m and £4.5m pre-tax respectively). But it is coming under increasing competitive pressure, not only from America's top names in strategy consulting — such as Boston Consulting Group (BCG), Bain, Braxton and of course McKinsey — but also from accountancy-based consultancies such as Coopers and Lybrand, Price Waterhouse and Arthur Andersen. So the results of PA's extensive market research exercise (conducted with the help of several specialists in the field, notably Market and Opinion Research International) were depressing indeed.

Particularly galling was the discovery that even its two most high-flying units, the Patscentre technology development arm, and Pactel, a team of computer and telecommunications experts, were not ranked as first choice by a sample of 62 chief executives in the four countries. Yet they have contributed increasingly sharply to the group's sales and profit.

As Kenneth Hampton, the group's chief executive, summed up the situation before an anxious gathering of almost 100 of its top managers and consultants this summer, the research, which also covered 350 other businessmen, mainly middle managers, showed that "despite PA's many strengths, fundamental changes and improvements in our approach to the marketplace are urgently needed."

A key part of Hampton's introduction to what became a painful, three-day process of corporate self-criticism was his presentation of the firm's new corporate identity.

Instead of the group's old welter of confusing names which bore no obvious relation to each other, and conveyed no clear idea of the organisation's character and strengths, Hampton told the assembled executives that the idea was to promote "a single corporate entity, embracing a family of synergistic, specialised consultancies operating internationally."

New zappy red logo

Rather than using its long-standing name of PA International—"which sounds like the overseas subsidiary of an American company, like Plastic Applicators," said Hampton—the four-core businesses would henceforth be promoted with the pre-fix PA: PA Management Consultants; PA Technology; PA Computers and Telecommunications; and PA Personnel Services (the headhunting and job advertising arm).

Central to these changes was the launch of a new, zappy red logo, blending the two letters PA; it was designed by the firm's own in-house design consultancy, PA Design.

All very obvious perhaps. Derek Mclaren, PA's corporate marketing and development director, admitted that internal critics might complain that the company was wasting its time changing the logo "and other unimportant things," when the real problem was the potential shortage of business. To which Hampton replied that "changing the logo and the company names will be the most evident part of our new marketing strategy and help alert our market and ourselves to the fact that the sleeping giant has awoken."

In other words, the corporate identity change was an overt illustration of the fact that PA was changing its spots. In that PA's identity change was obviously far from just window-dressing—unlike many other companies' new identities—its strategy closely follows that of SAS, the Scandinavian airline.

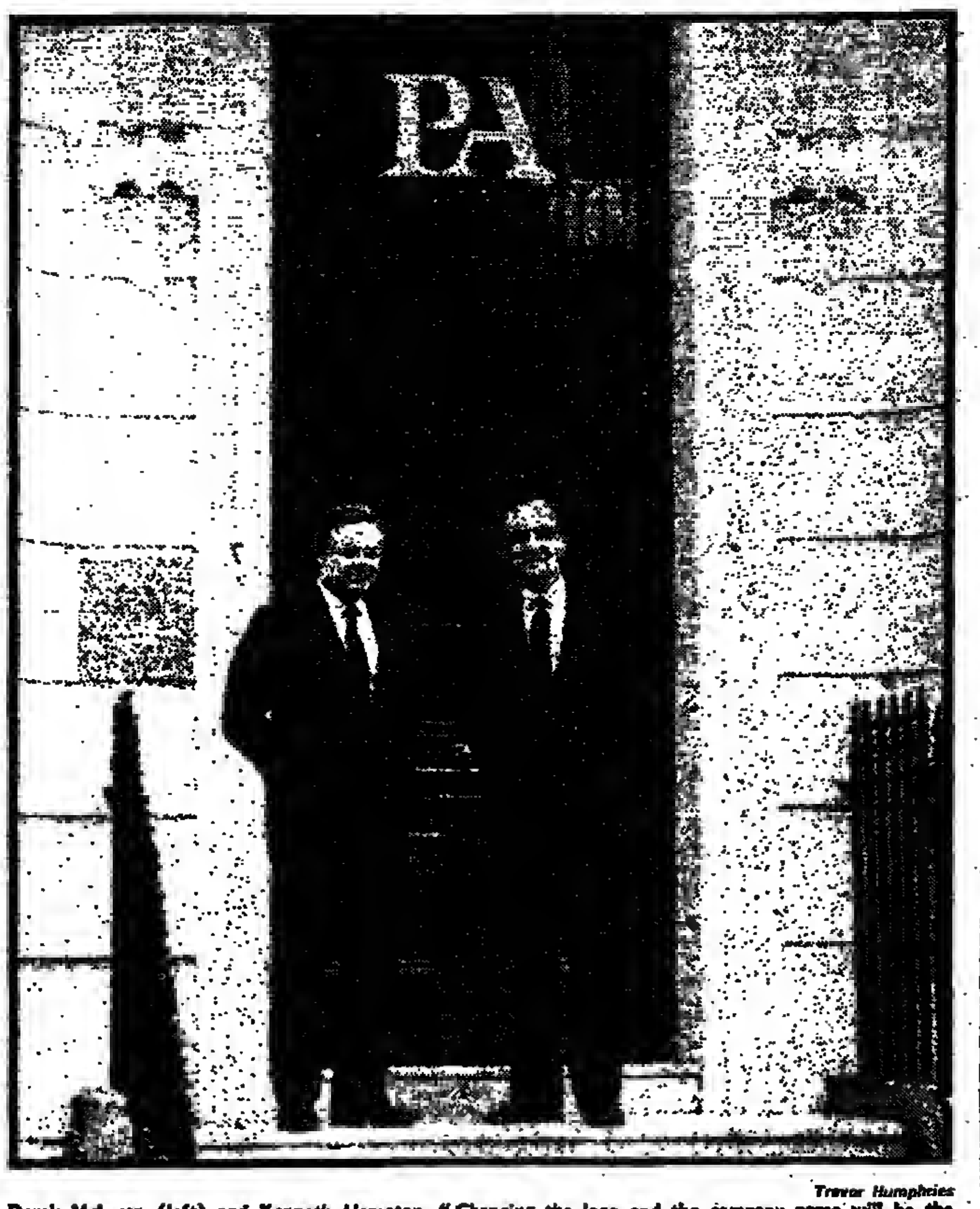
The difference is that PA's was introduced right at the start of the company's shift in strategy and organisation, whereas the SAS change was made in the wake (or the tail-wind, if you prefer) of a revolution in efficiency and service which was already quite plain for the market to see, and to which it had already reacted by giving SAS much more business.

Discussing the strategic changes which have got under way since the meeting in the summer, Ken Hampton underlines the importance of the new corporate identity in both external marketing and internal relations between PA's various arms.

The firm had to make dramatic changes, he says. It was continuing to have an image as "the great generalists" at the very time when "the market increasingly wants to buy authoritative advice from experts"—be they American "strategy boutiques" like BCG and Bain "all-round specialists" like McKinsey, accountancy-based firms, or laboratory-based operations like Patscentre (in which PA admittedly is one of the world leaders).

PA therefore needed to reinforce its expertise in a number of areas, and to establish a range of specialised industry divisions. Ironically, this process which began before the identity change, was a belated application of the old McKinsey principle of "divisionalise, divisionalise."

It also had to promote more



Trevor Humphries

Derek McLaren (left) and Kenneth Hampton. "Changing the logo and the company name will be the most evident part of our new marketing strategy"

cross-fertilisation and co-ordination between consultants in separate divisions, regions and countries. The days of loose confederation, much cherished by quite a number of the organisation's surviving "barons," as Hampton calls them, had to be brought to an end. Instead, to use the universal jargon of PA's formidable U.S. competitors, the emphasis was on "focus," and cohesion.

Since the summer gathering, a number of structural changes have been put in train, especially within PA's management consultancy arm. A more formal matrix has been developed, with the weight shifting away from the heads of the regional organisations (where many of the older "barons" reside) to the specialist divisions. And two of the largest baronies of all, the "UK North" and "UK South" regions, have just been abolished.

Out in the marketplace, one element of the focusing is PA's decision largely to pull out of its smaller European territories (Benelux, Italy and Spain), leaving only personnel services there.

On the upside, the clearest evidence so far of the shift in strategy is an intensification of PA's build-up in the U.S. PA Technology has been particularly successful there so far, but in future the firm also intends to expand its other three core businesses: it has just opened a Personnel Services office in New York, for example.

Just like SAS, consistency and quality of service across a series of carefully selected market areas and segments is what PA now aims to achieve. The consultancy marketplace is far more complex than the world of air travel, but as the success of BCG has shown over the past decade, corporate identity counts for a lot even in the consultancy business.

This is the second in a series of articles on corporate identity. The first, "The revolution at SAS", appeared on October 31.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Improper invoicing

UNDER pressure from the customer, goods intended for his personal use were improperly invoiced to his business. There has been no evasion of VAT or tax by the supplier but probable evasion by the customer.

On these facts an offence may have been committed by both parties but who would carry the main liability? Has the supplier really committed an offence so long as he receives no financial benefit himself?

We doubt if the supplier committed any offence unless he conspired with the customer, or agreed (freely) with the customer. More particularly the supplier's suspicion and the likelihood of an offence being committed do not implicate the supplier. It would be otherwise if the customer stated to the supplier that the customer proposed to evade the tax.

National insurance

WE ARE a small group of companies under a common ownership and control and it has been our practice for many years to spread certain directors' remuneration between the various companies in the group.

We have recently been informed by the DHSS that although the maximum payment of National Insurance contributions has always been made via the principal company, double or triple contributions are liable for each payment made in any of the past seven years, for any charges levied in the other companies.

Could you give your opinion as to the legal basis for their claim, which requires a company to pay several times, for the same individual, up to the maximum amount of National Insurance contributions, when remuneration is paid through several companies?

Although the personal (primary) NIC liability of a man or woman with more than one directorship is subject to overall maxima, there is no provision which gives a company relief from secondary NIC merely on the grounds that its directors also held paid directorships in other companies. The Employer's Guide to NIC makes each company's obligations clear, and so the group's auditors have a prima facie case of negligence to answer for failing to notice that the subsidiaries' accounts made no provision for NIC on directors' remuneration, year after year.

Retirement relief

IN 1955 I bought a large terrace town house for £5,000, obtaining Planning Permission for change of use into architect's offices and practiced there until I retired in 1976 at the age of 61.

On the advice of my accountant I exercised the right to apply cessation under the regulations on April 30 1976. On May 1 1976, a new architectural practice purchased from me all the furniture and fittings, the use of the firm title and a 10 year lease of my office premises.

Because of poor business, this firm has requested termination of the lease after 7½ years and this I have agreed to. My lawyer recommends I sell the property since I am now 68 and estate agents put a market value on my property of £150,000.

Would you please advise me whether the Capital Gain can be mitigated by Business Retirement Relief, over and above the period of exemption I am entitled to between 1955 and 1965?

The short answer is no, unfortunately, as you will see from concession D14 (of which your lawyer either has or can easily get a copy). However, it is worth talking to your lawyer to see whether, in the light of much more precise facts than you have given us, he or she thinks relief is due under section 102(2) of the Capital Gains Tax Act 1979 (and consequently also under section 80(1) of the Finance Act 1980).

It is also worth discussing with the estate agents (and your lawyer) the question of electing to be treated as having bought the property on April 6 1965, at its then market value, under paragraph 12 of schedule 5 to the Capital Gains Tax Act 1979. Do not forget to take the effect of indexation relief into account, as your lawyer can explain.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

Software

MBS forms advisory division

MICRO Business Systems has formed a new software division to provide an advisory service on applications software for micros. As well as providing support for companies such as MBS Rentals and MBS Personal Computers the new division will also establish its own customer base.

The company has over 70 different business and commercial packages are already available covering word processing, information management, financial modelling, integrated accounts and graphics.

Motors

Prototype ceramic engine

ISUZU Motors in Japan says that it has developed a ceramic diesel engine which reduces fuel consumption by nearly 30 per cent as compared with a conventional diesel engine.

Isuzu, which is part owned by the U.S. General Motors, says that the engine needs no cooling units and the size and weight of the engine has been reduced considerably.

The ceramics are used in the head line, head valves and exhaust manifold accounting for 10 per cent of the total engine. It will be several years, however, before the engines goes into production.

Monitoring

Tension sensor for mine hoists

A MICROPROCESSOR-based system which continuously monitors tension in the individual ropes of mine hoists has been developed by ASEA in Sweden. It transmits readings by radio to a computer from on the surface.

The company says that the system is suitable for both drum and friction hoists and can monitor tension in up to 12 ropes simultaneously. High and low tensions can be set and the hoists automatically stopped if limits are exceeded. More information is available from ASEA in Sweden on 010 46 21 100000.

U.S. STUDIES ELECTRON BEAMS FOR ANTI-MISSILE DEFENCE

"Star Wars" weapon research

BY DAVID FISHLOCK, SCIENCE EDITOR

BURIED in a barren hillside about 50 miles from San Francisco is the nearest thing yet to a charged-particle beam weapon. This is a machine which hurls thunderbolts into the surrounding hills while the scientists study their behaviour as they fly through the air at almost the speed of light.

The Advanced Test Accelerator (ATA) is designed to provide crucial data over the next few years for the design of an electron-beam gun. This is one of the new "Star Wars" weapons the U.S. is studying as the basis of new kinds of anti-missile defence. The most obvious attraction would be speed — about 100,000 times as fast as an intercontinental ballistic missile.

But can such a beam be buried accurately over long distances through the atmosphere, to strike a target unerringly with the impact of a bolt of lightning? ATA aims to tame intensely hot blobs of plasma, the fourth and highly unruly state of matter. These blobs can thrash wildly — "hosing," the scientists call it — when they encounter kinks in their path.

So far ATA has cost about U.S.$55m, paid by the Advanced Research Project Agency in Washington. It is just being commissioned.

The ATA's electron pulses last up to 50 nanoseconds and can be repeated once per millisecond for up to 10 pulses. This 10-pulse burst can be repeated every two seconds, giving the machine an average repetition rate of five pulses per second.

The key to this performance — unique, claims Lawrence Livermore, among pulsed power accelerators—is the result of a novel co-axial gas-blown spark gap. The ATA is built of modular 250-kilo-volt induction accelerator cells, each driven by a single pulse power unit. Each module consists of a resonant transformer, a water-filled Blumlein pulse forming line for energy storage, and the spark gap which discharges into the accelerator cell.

With ATA now entering service, its designers have been working on technology to stretch the machine, and to make the next model much more compact. This includes a new way of storing energy, called the magnetic pulse compressor. It uses a novel magnetic material, a ferro-magnetic metallic "glass." This is a metal so rapidly solidified—cooled at about 1m degrees per second—that it has no time to order itself into a crystalline structure.

Applied to the whole series of pulsed power modules in ATA, the designers believe the technique could quadruple the machine's peak power output, and also permit operation continuously at extremely high average power.

ATA was originally conceived by U.S. Navy scientists seeking a new defence for big ships against missiles more advanced than, say, Exocet. It has been designed by a team of 150 led by Dr Dick Briggs at the Lawrence Livermore National Laboratory. They have built it high in desolate hills well away from tho laboratory at Livermore; although a smaller version is already operating at the laboratory. The destructive power of the electron beam of even this small machine was demonstrated inadvertently when a vacuum valve failed to open quickly enough and the beam bored its way right through.

ATA is a linear induction accelerator, designed to compress pulses of electrons into bursts of current as high as 10,000 amperes. It is dedicated to a Greek-born physicist called Nicholas Christofilos, the late Lawrence Livermore scientist who pioneered the idea of directed energy weapons in the U.S.

So far ATA has cost about U.S.$55m, paid by the Defense Advanced Research Projects Agency in Washington. It is just being commissioned.

The powerpack which drives the 250 ft-long accelerator sits atop it. This consists of a bank of 220 pulse power modules which convert the local electricity supply into brief high-voltage pulses.

The task of these modules is to repeat a cycle of store-switch-store, at an ever-increasing rate, until the electron beam is intensified to 10,000 amp at an energy of 50 million electron volts (MeV).

These gigantic electron bursts can then be guided by a series of steering and focusing magnets into a large cylindrical tank, 80 feet long, used to simulate the atmosphere to be studied. Alternatively, they can be fired past a massive concrete door which opens into the air of a shallow valley, as the diagram shows.

Clearly no weapon as big as ATA would be feasible for the protection of even the biggest warships. But Dr Briggs, an international authority on accelerator design and engineering —he sits on the committee discussing plans for the Desertron, envisaged as the world's biggest atom-smasher—says the technology has been advancing very rapidly since he began to build ATA in 1979. Already he believes he could get ATA's performance from a machine a quarter or less of its size.

Electronics

Ferranti's gate array design tool

FERRANTI'S new design system, FSDS, for uncommitted logic arrays (see article, page 17 comprises three elements—a workstation based on the Digital Equipment VAX 32-bit computer, new design software incorporating "silicon compiler" technology from Lattice Logic, and a new range of standard ULA chips.

A silicon compiler is a piece of software which makes it possible for the computer to create automatically the design for a chip given simple high level instructions by the operator.

The new family of ULAs, which Ferranti calls the AR series, covers chip complexities from 1,000 to 5,000 gates and were designed to take maximum advantage from the automatic design technique.

According to Ferranti, a designer can enter the elements of a logic design either as schematic capture, in text code using the high level Ferranti logic description language or through an interactive graphics terminal.

The price of FSDS ranges from £70,000 to £100,000; Ferranti claims the time taken to produce engineering samples from verified logic is six weeks; integration costs range from less than £5,000 to £20,000. In the future FSDS will allow ROM, RAM and linear functions to be designed into a single integrated circuit. More on 061-624 0515.

Components

Marconi launches SAW device

MARCONI electronic Devices has introduced a series of surface acoustic wave devices to complete their range of microwave and radio frequency products. The SAW device range includes oscillators with frequencies up to 1.5GHz, bandpass filters with centre frequencies in the range 10.7 MHz to 600 MHz and delays lines for use in pulse compression radar.

Materials

Plastic car laminate

KAWASAKI Steel and Nisshin Steel have jointly developed plastic laminated steel sheets for use in cars. The sheet has the hardness of steel but weighs only half as much as ordinary steel sheets used in cars. Honda has been supplied with the new sheets which contain 0.6 mm of plastic sandwiched between two steel sheets each 0.2 mm thick.

THE ARTS

Television/Chris Dunkley

No, but I saw the movie

There is just one type of programme material which practically everybody in the television industry—whether broadcaster, investor or hardware whiz kid—seems to agree will definitely attract audiences to the new technologies: movies.

In the past year or so confidence in the future of cable and satellite television has vacillated wildly. Beliefs about the prospects for, say, an all-news channel in Britain vary depending upon whom you talk to. Some point to Ted Turner's American news cables and declare that similar ventures will succeed in Britain. Others say that the Americans are the only ones with the money nowadays to sustain proper global news operations and that American news will not interest British viewers.

Some believe more and more sports bodies will do television deals for exclusive and therefore high-price cable coverage. Others believe that the economics will work only in a few specialised cases: world heavyweight title fights, top snooker matches, and so on.

The one thing about which there is unanimity is cinema films. Everyone agrees they will work, and it is not hard to see why. The biggest success story of American cable is Home Box Office whose main offering is movies.

It is not yet widely appreciated in Britain that cable channels involve an entirely new attitude towards television. Instead of a "broadcaster" developing a carefully mixed output of comedy followed by news followed by drama and so on in a schedule designed to catch and hold the viewer, cable operators, especially on movie channels, can afford to offer perhaps only five items a week, repeated over and over again so that the viewer can choose his own time to watch.

The prospects for cable movie channels of that sort in Britain seem as bright as anywhere in view of the huge popularity of movies on our existing broadcast networks. This week's BARB figures for instance show the No 1 spot in BBC1's Top Ten filled by a repeat showing of the 1968 Clint Eastwood movie Coogan's Bluff with 10.5m viewers.

Nor was that the biggest movie audience of the week; ITV attracted 13.75m with *Jaws 2*. Nor was it the oldest movie: *Battle of the River Plate*, the week's most popular programme on Channel 4, first appeared in 1956. Come to that, the John Wayne western *Tall in the Saddle* which was fifth in the BBC2 Top Ten, was first released during World War 2. Nor, incidentally, was it the rottenest film to get into a Top Ten: that claim goes to *Tarzan and the Valley of Gold* which came eighth on the BBC2 list with 2.9m viewers.

The fact is that, other things being equal (time of day, the opposition and so on) an old movie will almost invariably prove more popular than one of television's own programmes. Yet the cost of movies is only a fraction of the cost of original television. At the BBC the cost of a first showing of a bought-in film averages about £15,000 an hour whereas their own drama costs £200,000 an hour.

In fact films are cheaper than almost everything: making comedy at the BBC now costs £140,000 an hour, variety £75,000, educational programmes £65,000, features and documentaries £60,000, children's programmes £45,000, and even current affairs cost twice as much as films: £30,000 an hour. Only repeats at £2,500 an hour are substantially cheaper than films. Furthermore, according to figures recently quoted by BBC Director General Alasdair Milne, ITV's average costs are 34 per cent higher than the BBC's.

Thus it is not difficult to understand the temptation for broadcasters to include films in their schedules as often as possible. Nor is it difficult on the other hand to appreciate the fury of our residual film industry when it sees television raiding the cinema store cupboard and using their old stock to "steal" the audience. Presumably if the film industry could make a better profit by showing the films in cinemas they would not sell to television, but that does not cheer up the cinema enthusiasts very much.

Having myself grown up with films and not with television my first love was the cinema and there are certain films which I believe should never be watched on the box. Some directors worked with such a profound consciousness of the circumstances in which their films would be seen—in a large, dark, crowded public area with the picture larger than life and dominating the proceedings—that it is absurd to commit their films to a little screen in the corner of a brightly lit sitting room where chattering family groups dominate the picture.

From D. W. Griffith's stupendous movie *Intolerance* to Lucas's *Star Wars* in which the Dolby sound system of a big cinema plays an essential part, some of the greatest films ever made should not be watched on television except by those who definitely stand no chance of seeing them in their intended surroundings.

Millions of people will get their first opportunity to see the greatest achievement of the silent cinema, Abel Gance's *Napoleon*, when Channel 4 shows it this coming Saturday and Sunday (thanks to Kevin Brownlow and Thames TV). But nobody should imagine that watching it on a 24-inch screen at home can reproduce the aesthetic or emotional experience of sitting in the Empire Theatre Leicester Square with a full orchestra accompanying the film. The momentous impact of the final triptych sequence projected onto three adjoining cinema screens cannot be even approximated by television. How would Beethoven's Ninth sound on a piano accordion?

That said, I am grateful like so many viewers for the chance to watch again those classic movies which do not lose all that much from being on the box: *The Philadelphia Story* shown on BBC1 last Sunday afternoon, for example, and later on that evening on Channel 4 the 1941 Preston Sturges comedy *The Lady Eve* starring Barbara Stanwyck as a stunning cardsharp in real silk stockings with Henry Fonda as the sucker.

Already this year BBC2 has provided a marvellous season of Marilyn Monroe movies from *Gentleman Prefer Blondes* to *The Misfits*, and now Channel 4 is running a fascinating season called "What The Censor Saw". The huge advantage here is that instead of being flung into the schedules piecemeal as ratings bait, the films have been selected with some care and are being introduced on screen — albeit too briefly — by ITV's chief film buyer Leslie Halliwell (author, by the way, of the invaluable *Film Guide* which must surely be due for an update).

Gratifyingly seasons of this sort seem to be on the increase even though we do still get careless rag-bags such as ITV's "Continental Movie" as well. Better still, television has taken increasingly to projecting its films with some common sense: Antonioni's *La Notte* on ITV last week, although it was an appalling print and the lip synchronisation was allowed to slide ("Who cares when it's in Italian?") was nevertheless projected with black gaps at top and bottom of the television picture to accommodate the film's wide-screen cinema format. This is vastly preferable to the "pan and scan" habit which for long was used to fill the television screen.

Moreover many of the prints used by television actually seem to be better than those habitually seen in art house cinemas. Sunday's copy of *The Wild One* on Channel 4 — with Marlon Brando as the Hell's Angel gunning his T-bird bolt upright through all those back-projected curves on the highway — was the cleanest print of the film I have ever seen.

In the end the important question is this: given that our conventional broadcast networks and cable television and satellite services all want lots of movies, and given that the decline of the cinema seems irreversible, can television itself somehow create the necessary material? At one time I believed it could, and that something like Channel 4's co-production scheme with films such as *The Ploughman's Lunch* (tomorrow night) and *Angel* seemed very promising.

But now that we are actually seeing them come to the screen the results are discouraging: in the cinema *The Ploughman's Lunch* looks like stretched television, and not one of the Film On Four productions I have seen so far has displayed the magic of true cinema.

Thanks to its style and ethos, thanks to the very palaces to which the fans flocked to see *the films, cinema created stars*: Garbo, Peck, Wayne, Monroe. They were larger than life and offered to take us out of our lives and into realms of fantasy.

The "new wave" directors now working on the borders between cinema and TV—Roland Jossé, Richard Eyre, Mike Leigh and Stephen Frears—are clearly not the least interested in fantasy. On the contrary their chief concern seems to be rubbing our noses in their version of humanity. They owe far more to the *traditions of television* than to the cinema.

The flickering box in the corner of our rooms at home has an entirely different style and *ethos* and the most that television has ever managed to create is domestic personalities: Michael Parkinson, Angela Rippon, Terry Wogan, Eamonn Andrews. As with a cheeky milkman or a batty neighbour it is their familiarity which is valued. They are only too "real" and lifesize. When viewers chance to meet them in the street they say "Hello" thinking they know them.

I am afraid television will never be a proper substitute for cinema, and there will be a monumental fight between the new technology and the old for those scarce stocks of the real McCoy.


Charles Coburn, Barbara Stanwyck and Henry Fonda in "The Lady Eve"

Boris Godunov/Covent Garden

Max Loppert

The new *Boris Godunov* is a triumph for its conductor. Even more than three years ago at La Scala, where Claudio Abbado had his first encounters with Musorgsky, the musical direction of Monday's performance represented an act of total imaginative comprehension, forged in a feat of sustained conducting eloquence, that had one searching for contemporary parallels.

For the first time since the 1961 revival of the old production, the Royal Opera prefers Musorgsky himself to Rimsky-Korsakov's revising of him. It was a long evening—the later and longer of Musorgsky's two versions enlarged by the now-customary addition of the St Basil scene from the first, with familiar cuts opened (Fyoder gets his Parrot Song) and only a single mid-performance interval—but it was at no point a boring one: retrograde longings for Rimsky glamorisations were not even a speck on the horizon. For under Abbado's hands Musorgsky's orchestration sounds at every moment. Its "lack of 19th-century diapason" (David Lloyd-Jones' phrase) seems here not a mixture of stark inspiration and passing miscalculation: the rightness of instrumental and vocal combination is never in question

The conductor's appreciation of what Stasov deemed Musorgsky's creation of an "entire world, embodied in music with extraordinary genius, power and originality" is expressed in a precisely differentiated tone, texture, and attack for each scene. In Covent Garden, though the grandeur of the public assemblies can be less completely realised than in La Scala, the intimacy of the theatre ensures a glowingly defined presence for such simplicities as the bare chordal undercloth for Pimen's narration. With the proviso that London's strings are less vibrant than Milan's, and London's choristers less numerous, it is a happy duty to praise such keyed-up vitality of execution: if only *Boris*—and the Royal Opera—were always like this!

The production would have to be much less successful than it is to darken the impression. Andrey Tarkovsky, the Russian film director (of, among others, the remarkable *Andrey Rubler* and *Solaris*) undertakes here his first operatic assignment. The result is a stimulating, unhackneyed piece of work, full of puzzling inconsistencies but also of strong imaginative perceptions. Nicolas Dvigoubsky's single set—a huge courtyard facade with a back central arch, half-finished rubble strewn around its central ramp—limits the opera to a single intentionally un-opulent image; and when required to do duty for scenes obviously unsuited to it, the decor constricts the immensity and the variety of Musorgsky's "entire world." The lighting is "cinematic" in a self-conscious way: mysterious symbolic doings in the background (an enactment of the Tsarevich's murder, a giant pendulum slowly swinging) add a note of sketchiness. There is a basic shortage of necessary furniture: the conventional costumes look anachronistic.

Yet, against this, one warms to the accuracy and honesty of characterisation, in scenes private and public—the setting may often ring false, but the playing, for the most part, rings wonderfully true. Between them Tarkovsky and Robert Lloyd have achieved the notable feat of temporarily dimming Royal Opera memories of Boris Christoff in the title role. For Lloyd's Tsar, credible in simple human terms as political figure, father, and tormented sinner, pursues a quite different course, and has the artistry to make one feel that difference is not necessarily loss. He does not bestride the opera, but takes his place as its most important component part; this is meant as a compliment.

The careful contrast of three fine bass voices—Lloyd's, Aage Haugland as a huge and uproarious Varlaam, and Gwynne Howell's matchlessly beautiful, "inward" Pimen—was one of the performance's pleasures. It is a strong cast, mainly British; the special eloquence of native Russian utterance may not be in evidence, but distinctness, precision, and musicality undoubtedly are. Philip Langridge's unexaggerated Shuisky and John Shirley-Quirk's subtly intense Rangoni (got up like an ecclesiastical Dapertutto) belonged also to Abbado's Scala cast; Fiona Kimm's marvellously natural Fyodor comes from the Coliseum. Patrick Power (Simpleton), Joan Rodgers (a fragrant Xenia) and Jonathan Summers (Shchelkalov) are notable Musorgsky newcomers; Elizabeth Bainbridge (Hostess) and Francis Egerton (Missail) are old hands.

The Polish act is weakened by the raw tone and unromantic phrasing of the Pretender, Mikhail Svetlev (whose tenor sounds sadly hard-used since his bright Scala account of the role) and by Eva Randova's forceful but squally and charmless Marina; but here Abbado's rhythms are at their most elating, and the music sweeps forward in a way that brushes aside all visual or vocal impediments. The ENO/Royal Opera Guide (No. 11), which contains David Lloyd's Jones' translation, is well worth a prior perusal.


Robert Lloyd

Lucky Bag/King's Head

Martin Hoyle

My dreams are no respecters of person, privilege or popularity. A recurrent nightmare that wakes me screaming is that Woody Allen has cornered me at a party and is subjecting me to a comic monologue. Sometimes it's a northern comedian. When the accent is Liverpudlian subsequent sedatives are called for.

All of which shows how subjective is any assessment of humour; and how meaningless it is, therefore, to make Victoria Wood a glorious exception to these strictures—unpretentious, articulate, sharp-eyed but unmalicious, and often very, very funny.

Her one-man (sic) show is neither feminist nor overtly political, which merely adds weight to her swipe at male sexual smugness (in the acerbic song, "Had it up to here") and the evening's cumulative socio-cultural compendium of references to how we live now.

She uses brand names like any social satirist, but better than most. Marks and Spencer, *Emmerdale Farm*, foundation garments and ear-wax rate more than one mention each. She likes Beryl Cooke—whose cheerfully robust naughtiness she shares—and Steel Eye Span—a dead give-away when meeting blank non-reaction from an unwisely chosen younger man. She is the Betjeman of a slightly chipped enamel meritocracy in an increasingly plastic age.

Her eye for a trend is wicked. There is a mad plausibility to time-share apartments in disused collieries, books called *Cooking with Hessian* or modish homes in converted factory chimneys (small rooms, nice high ceilings).

If the non-topical side to her talent smacks of old-fashioned revue the fashion is at fault. She triumphantly resurrects such hoary figures as the northern club entertainer, "Paula Duvalle, comedienne and vocaleest," wowing a hen party before accompanying herself in a philosophical ditty on the ukelele; or the auditioning actress whose career resumé includes children's theatre — Winifred Wibbly-Wobbly and a less creatively satisfying raspberry—followed by a spell with a troup called Lorrylnan. Reader, this is all too likely.

Her life is measured not so much in coffee-spoons as in bin-liners and bras. While a bleary-eyed blink at marriage ("Don't do it") is neat but unsurprising, her "Love Song," as an old man automatically prepares his wife's breakfast before remembering she's dead, is concise, unsentimental, and touching in its carefully selected physical details. In search of a coffee, "there was a queue at the Kardomah so I went to the blood donor" sums up the tenuous logic that surreally links the unlikely. "I'm awfully glad," she sings to the deity, "you made me me and not some other chap." So am I, Miss Wood, so am I.

Cut-price concert offer

Vouchers for reduced-price tickets to South Bank concert halls are being given away at factory and shopping centre concerts as part of the Greater London Council's *Music for All* scheme.

The vouchers allow £1.50 off the ticket price of selected concerts at the Royal Festival Hall and Queen Elizabeth Hall. The *Music for All* scheme was launched just over a year ago.

Pericles/Stratford E15

Michael Coveney

As staged—that is, directed and designed—by Ultz, this *Pericles* at Stratford's Theatre Royal is a most exciting evening. Shakespeare's exotic travelogue receives its appropriate come-uppance at the hand of a band of artists, the core of whom have formed, in the past, the Fireflies of the Boulevard and the basis for several pantomimes.

In the British theatre of late, only Philip Prowse at the Glasgow Citizens has graduated *from designer* to director/designer, and with notable success. Ultz is a worthy disciple and it is worth noting that his *Pericles*, superbly played by *Gerard Murphy*, has been an outstanding Glasgow Macbeth as well as an under-rated RSC Prince Hal.

For Ultz and his colleagues, *Pericles* is obviously the season's first panto. The dumb shows are presented *à la Japonais* in front of a hanging white tapestry. After the incest-riddled prologue in Antioch, Ultz's colour brochure takes us to a green Pentapolis (fishermen hauling out an endless emerald net); a burnished, golden Tarsus; a purple Mytilene with a huge pig stuck in the brothel; and the azure twilight zone of Diana's temple on Ephesus.

The theatre's back walls are painted green and cunningly lit by Mick Hughes. The scene, dominated by a flock of flying fruit and gulls, accommodates the stunning magic cabinet of the wizard Cerimon in one of several cargo boxes.

Gerard Murphy speaks the part magnificently, graduating from armoured, mail-chained prince to nautical hermit with a deepening of the voice and a true regard for the hero's poetic stature.

The pirates who carry off his separated daughter, Marina, to the brothel, are the female trio in the pit. Their strikingly discordant, campy music is executed on viol, squeeze-box, bells and Chinese block, conducted discreetly from the stage by the composer, Martin Duncan, whose chorus figure of the poet John Gower is physically modelled on Gower's tomb in Southwark Cathedral.

The entire company personnel of 13 gives the piece both air and flight and produce a genuine spectacle which, for my money, is far more interesting than the RSC's recent studio, cosily minimalist, approach. Nothing is shirked, and the constraints of a low budget prove no obstacle to imaginative ideas. Brian Protheroe plays all the kings and the converted Lysimachus; Felicity Dean is a blonde and steel-sprung Princess; Darlene Johnson the wicked Queen—as well as the conciliatory goddess.

The obvious camp of Harold Innocent as the bawd in black suspenders in the Prospect version of 10 years ago is quite obliterated by Vas Blackwood's androgynous madame; and there is an hilarious Boult (Michael Crompton), scouring the auditorium for tarts and standing, well, permanently to attention. He never, it seems, stands at ease.


Gerard Murphy

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Oct 28 – Nov 3

Theatre

LONDON

The Tempest (Barbican): Derek Jacobi takes a short respite from his recent triumph as Cyrano to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An entertaining production. (628 8795)

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143)

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a clifftop rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood (437 1592)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888)

Glengarry Glen Ross (Cottesloe): One of America's best playwrights, David Mamet, has a startling world premiere at the National Theatre in this superb Bill Bryden production of life among real estate salesmen. The language rocks and rolls through idiomatic salespeak with many a glancing reference to post-Nixon break-in paranoia (928 2252)

Maydays (Barbican): New play for the RSC by Nicholas Nickleby adaptor David Edgar about the defection from Left to Right as a process of both politicisation and aging. Panoramic, ambitious text covers the ground nimbly from Hungary in 1956 to the fate of British radicalism in the late 1970s. (628 8795)

The Cherry Orchard (Haymarket): Scenically dull but very well acted production by Lindsay Anderson of Chekhov's masterpiece. Joan Plowright is an edgy, skittish Ranevskaya and Leslie Phillips, an accomplished light comedian, a revelation as her pathetic brother. Wonderful support from Frank Finlay, Bill Fraser, Frank Grimes and Joanna David (930 9832)

Hay Fever (Queen's): Penelope Keith continue her reign as the iron maiden of British showbusiness. Well-dressed and marcel-waved, she plays Judith Bliss in Coward's great comedy, presiding over charades and confusion in a Thames-side country house. (734 1166)

Little Shop of Horrors (Comedy): Tawdry, camp musical based on a 1960 Roger Corman B-movie about a man-eating plant which revives the fortunes of a Skid Row flower shop. The 1950s pastiche is a bit wan, but the lyrics sharp. The plant grows from cactus-like vulva to piscatorial, blues-singing peach. Ellen Greene repeats her off-Broadway performance which is something like Fenella Fielding only blonde and way over the top (930 2578)

A Moon for the Misbegotten (Mermaid): Frances de la Tour and Ian Bannen are quite superb, especially in the last confessional hour of O'Neill's powerfully banal last play. Last chance to catch one of the year's London highlights (236 5568)

NEW YORK

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaité Parisienne, but the intimate moments borrowed direct from the film. (757 2626)

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450)

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish recreation of the London hit. (239 6262)

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370)

CHICAGO

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (495 3000)

A Raisin in the Sun (Goodman): season opener celebrates the 25th anniversary of Lorraine Hansberry's play that explores racial conflict when the black Younger family move to a white neighbourhood. Ends Oct 30. (443 3800)

WASHINGTON

The Importance of Being Earnest (Arena Stage): with Richard Bauer as Lady Bracknell, Tom Hewitt as Jack Worthing and Marilyn Caskey as Gwendolyn, the Arena Stage gets an exuberant start to a season that will include two contemporary British plays, Simon Gray's Quartermaine's Terms and Caryl Churchill's *Cloud 9*, as well as Christopher Durang's Beyond Therapy and Chekhov's Three Sisters. Ends Nov 13. 6th & Maine SW (488 3300)

James Ensor/Antwerp

Rob van Mesdag

It is not difficult to imagine how the art of the Belgian impressionist *James Sydney Ensor*, 1860-1949, met with mixed feelings when first presented to the continental art world in the 1880s.

Ensor was to evolve an art form all his own, never seen before, brought about by a fervent desire to experiment, by sadness at not being readily understood, and by a fear of competition from abroad. Yet, in contrast to many before him, his genius was recognised well within his lifetime. It was seen in all its fullness and complexity at a recent exhibition of his work in the Royal *Museum of Art in Antwerp*.

When, in the early 1880s, Ensor exhibited his early, so-called dark pictures, such as "Afternoon at Ostend," they were well received at salons in Belgium and Paris. But as he began to experiment by bringing more light into his pictures, his popularity waned.

The Brussels salon in 1884 refused all works submitted, and his picture "Woman eating oysters" *was turned down first by Antwerp* in 1883, then even by an avant-garde organisation called l'Essor, of which he was a member. Irritated by those disappointments, he, and several friends, founded a new "democratic" group – it had no jury – called "The Twenty" in order to stimulate creativity and organise alternative exhibitions.

This group became the foremost avant-garde movement in Europe. *Finch, Vogels, de Regoyos, Van* Strydonck, Schloback and Toorop were members, all much inspired by Ensor whom they considered their leader. At first, membership of "The Twenty" gave Ensor the confidence he needed to continue *his search for light and colour* while taking advantage of its salons in order to show the result.

But by 1885 his standing within the group had begun to change. Increasingly, his work was criticised for lack of technical finesse, and critics came to ignore his works, concentrating instead – sometimes lavishly – on pictures by outsiders such as Whistler, Monet, Renoir, Seurat, Van Gogh.

Ensor reacted negatively by trying to prevent such foreigners from showing at "The Twenty," and from becoming members. But Ensor also protested positively by creating pictures *illustrating* his contempt for the critics and disappointment with the group he had helped form.

His painting "The Halo of Christ," submitted in 1887, was the first of this kind. Dark interiors or beach scenes in Ostend had made way for a satirical look at the world around him.

In "The Entry of Christ into Brussels," one of the artist's best-known pieces, Jesus's appearance takes place during a typical Belgian carnival, Ensor's way of indicating that art in his country should rely on personal expression rather than depend on influences from abroad. Although this picture could have caused furore within "The Twenty," *Ensor never submitted it.* Instead, he continued to send in scores of *other picutres* in the early 1880s, all of them illustrating his protest at not being understood.

"The Good Judges," "Christ and the Critics" and "Man of Sorrows" are examples. By the early 1890s, the force with which Ensor had illustrated the pain caused by his persecution helped to change the tide of opinion. Several positive reviews began to appear, pictures were being bought, even by important museums, and invitations to salons in Brussels and Paris were received. The fight had been won, but, with it, strangely enough, had disappeared the artist's energy.

Sale room

Anthony Thorncroft

Sotheby's sold in London yesterday the collection of arms and armour of the late John Hayward, the art historian who worked for the saleroom for 18 years. The 41 lots brought in £170,148 ($254,116) with 1.6 per cent unsold.

The top price was the £37,000 paid by Finer for a German morion (helmet) of around 1600 (more than double the forecast). Private collectors paid £14,300 for a Nuremberg foot soldier's armour of the mid 16th century, and the same sum for a late 16th-century Saxon garniture of rapier and lefthanded. A fine Augsburg hunting sword of the early 17th century made £9,900.

In the general sele of arms and armour that followed, a composite Maximilian armour of around 1500, which forms an important stylistic link between late Gothic and early Renaissance armour, fetched £22,000. Two Spanish flintlock guns of about 1800 made £6,800 and R. A. Lee paid £7,920 for a 9th-century Viking sword.

Mallams of Oxford disposed of six water colours by David Roberts, the orientalist, for £98,000, well ahead of forecast.

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Wednesday November 2 1983

Peace-keeping in Lebanon

SADLY for the people of Lebanon, the issues which are being discussed at the national reconciliation talks in Geneva cannot be divorced from the wider questions of war and peace in the Middle East. Neither, it seems, can they be entirely separated from the ideological confrontation between the Soviet Union and the United States.

After eight years of intermittent civil war and foreign invasion, punctuated by the most violent acts of reprisal, it would have been difficult enough to assuage mutual suspicions to the point that genuine compromises became possible. But with the different factions able to manipulate, and be manipulated by, larger regional and international powers, the task becomes doubly difficult.

President Gamayel of Lebanon accepts that the 1943 constitutional arrangements which ensured Christian Maronite supremacy have to be modified in recognition of the Moslem majority which now exists. He is being pressed by the U.S. to make concessions. But less conciliatory Maronites then Mr Gamayel are equally aware that since last week's horrific bomb explosion in Beirut which claimed the lives of nearly 250 American marines, President Reagan has chosen to place Lebanon, like Grenada, into the context of the East-West struggle. The broad Lebanese left and the Syrians, with their Soviet support, are the focus of U.S. suspicion.

The main spokesman for the Lebanese Left, Mr Walid Jumblatt, helped stoke U.S. attitudes with his initial demand for the abrogation of the Lebanon-Israel troop withdrawal agreement, once described by Mr George Shultz, the US Secretary of State, as a milestone in Midle East peace-making.

Quicksands

Mr Jumblatt may well hold strong feelings about the necessity for abrogation but the priority given to it smacks more of Syrian influence. And what do the Syrians want out of the Geneva talks? Not even the Saudi Arabians, who played a key role in getting the factions to sit down together, claim to have any clear idea. President Assad in Damascus retains a range of options.

He could assist in the breakdown of the Geneva negotiations followed by a resumption of the fighting in the hills overlooking Beirut. This might have the attraction, for the Syrians, of drawing the U.S. into increased military support for the hard-pressed Lebanese army, thereby shifting still further the character of the marines from peace-keepers to civil war participants.

Mr Assad may well estimate that the further the U.S. can be sucked into the Lebanese quicksands, the greater will be the demands in Washington for a total withdrawal. Or he could opt for a longer-term strategy, allowing the Shia Moslem militias and other anti-American factions to weaken U.S. resolve through sniper fire and variations of last week's suicide bombing.

The prospects for the Geneva negotiations are not made any easier by the ambiguity of American objectives in Lebanon and the ambivalence of President Reagan. The Administration has talked of seeking retribution for the Beirut bombing, but such a move would undoubtedly make matters much worse, would certainly meet categorical condemnation from the French Government, and might well lead to a sharp escalation in violence.

Peace-keeping, in the most limited meaning of the term, is the only legitimate and constructive function of the multinational force. The Americans cannot impose political stability on Lebanon by military force, nor should they try. The essential ingredients in any progress towards stability must be an accommodation between the warring domestic factions, and an American recognition that Syria has claims to be involved in the stabilisation process which cannot in practice be thwarted. If Mr Reagan is having difficulty in replacing Mr Robert McFarlane as his Middle East negotiator—several potential candidates have turned down the job—the reason is that the Administration does not have a plausible policy either in Lebanon or in the region as a whole.

As a first step towards such a policy, the U.S. should make it absolutely clear that it is not planning to remain indefinitely in Lebanon solely for the purpose of propping up the Gemayel regime in its present form, and that its broader view on the future of the region remains compatible with the principles of the now-defunct Reagan plan of last year, whose essential basis was that of negotiation between the parties on the ground.

A defence of privatisation

THE BRITISH government's radical policy of privatisation is, it seems, as contentious inside Whitehall as out. But if the present debate over the future of the country's monopoly utilities demonstrates anything, it is surely that the traditional battle between the Treasury and the nationalised industries (with sponsoring ministries acting as their proxies) goes on as before, even if the ground itself has shifted.

This inevitably raises questions about the emphasis of policy. Certainly the sale of public-sector assets helps the government achieve its monetary objectives by the backdoor. There are also those in the government who see the programme as contributing to the erosion of union power. Yet on the more direct point of the government's relationship with the majority of state industries that cannot be sold off in the life of this administration, there is a risk that an ideological preoccupation with ownership will prove dangerously distracting.

In a speech to a City audience yesterday the Financial Secretary to the Treasury, Mr John Moore, demonstrated a welcome readiness to address that question. His apologia for privatisation, which laid heavy stress on the need to attack state monopoly, was more cogent than much that has gone before.

Erosion

He argues that governments responded to the failure of state industry to perform by introducing an increasingly stringent framework of control. This erosion of the Morrisonian principle of an arms-length relationship between government and state corporations, culminating in the White Paper of 1978 (and presumably also the attempts at reform precipitated by the Central Policy Review Staff under the first Thatcher administration) amounted to the imposition of surrogate market forces on the industries. But this, so the argument runs, has not been enough. Why simulate the market when a real market exists outside and when there are obvious benefits in freeing state industry from the constraints Whitehall imposes on good management?

This emphasis on market forces is all to the good. So, too, is Mr Moore's assertion that it is important to distinguish between natural and artificial monopolies. While the transmission and distribution of water, gas and electricity may be sensibly handled through integrated, monopolistic networks, there is no reason to regard activities such as electricity generation, the production and marketing of gas, coal production and sale, and telecommunications other than local services as natural monopolies.

The Treasury's present preoccupation with accountability and the need to make cross-subsidisation within corporations more transparent is also healthy, as is the desire for subsidies to be direct, contractual and specifically targeted. The result will be to add clarity to the industry's objectives.

Responsibility

Many of these justifications for privatisation tend, however, to treat competition and privatisation as synonymous. Yet several crucial problems cannot be wished away by transferring ownership. Despite the privatisation of British Aerospace it is the Government that will have to decide whether to finance the new Airbus. And will a privatised British Telecom really find it easier to finance its investment programme?

Nor can the Government escape all responsibility for the level of gas prices. And if, for the sake of argument, a privatised British Airways ran into trouble it is hard to believe that even Mrs Thatcher's government would stand calmly by, leaving the receiver to get on with the job.

There are grounds for thinking that privatisation does bring additional discipline to state industries, though a less important discipline than that of competition. But the heavily institutionalised British capital market is far from perfect. The time is ripe for a complementary tilt at financial concentration. Inefficiency is not confined to the public sector.

Prime Minister Botha

South Africa's referendum

Old enemies and new bedfellows on a key day

By J. D. F. Jones in Johannesburg

Chief Buthelezi

ON Monday evening South Africa's long debate about a new constitution reached its climax. While the Prime Minister, Mr P. W. Botha, urged a packed audience here to vote Yes in favour of "Christian civilised values" and "orderly government," a few miles across town the Zulu leader Chief Gatsha Buthelezi was appealing for a No vote against "this political death-sentence on 22m black Africans."

On the same platform, the veteran opposition politician Mrs Helen Suzman insisted that Mr Botha's real intention was "to con the English-speaking voter into believing he is on the reform track while he is in fact entrenching apartheid." And, the same evening up in Pretoria, Mrs Suzman's unlikely ally, the ultra-right-wing Mr Jaap Marais, was warning that "once you open the door to the non-white, it cannot be closed."

Two full months of argument, even about something as important as a new constitution, sounds almost too much of a good thing, and most white South Africans will be relieved when the shouting is over and they have cast their votes for good or ill today.

But the intensity of the debate has been impressive. No one should be tempted to believe that South Africa is going into its "second Republic" without proper thought by the 2.7m whites who will be taking the decision—and without clear warning of the dangerous consequences of what they are doing from the black majority, who are not being consulted.

The general assumption is that Mr Botha is going to win his Yes majority: the Yes campaign may have faltered a little in recent weeks but he should get a majority of around 60 per cent. The importance of today's voting is that it is going to cut across South Africa's traditional political and cultural divisions.

The referendum debate (seen as the culmination of the Government's long hesitation about reform) has brought the irrevocable splitting of the Afrikaner Volk; the emergence of English-speaking South Africans as vital supporters for an Afrikaner middle-of-the-road Apartheid government; the confusion and division of the (mixed race) Coloureds; and the alienation, probably beyond rescue, of almost all the country's black moderates.

It would be hard to underestimate this tally. The Government's posters have been describing November 2 as "the most critical day in South African history." That may be truer than they think.

The new constitution (see panel) would bring Indians and Coloureds—but not blacks—into the parliamentary system in a limited role and give considerable powers to a new executive president.

The new constitution is supported by the ruling National Party and by the fading New Republic Party (NRP). It is opposed by the official opposition Progressive Federal Party (PFP) and by the Conservative Party, which broke away from the Government last year. But things are more complicated than that.

The National Party, of course, officially supports its own proposals, which date from 1977, but it cannot be sure of delivering all of its own voters: a significant minority will, in the secrecy of the poll, say No, usually on the argument that the constitution allows a dangerous dilution of apartheid and that the Prime Minister's concept of "healthy power sharing" is a contradiction in terms.

Nor can the PFP be sure of its own constituents: a substantial number of "progressive" voters, at least 20 per cent, will defy the leadership and vote Yes. The CP will vote No to the last man.

Mr Botha therefore knows that he cannot muster enough of his own Afrikaners to guarantee a Yes majority. He is therefore forced to depend on the "English" voter. Similarly, the PFP knows that it can only hope for a No majority if the right-wing (which it detests) does extremely well.

The Government has had no difficulty in embarrassing its two enemies, the PFP and the CP, by catching them in the same bed and calling everyone to look. The tactic has been very successful. Many people who are nervous about the new constitution will be voting a reluctant Yes because they feel the No total will be interpreted as a vote against reform and in favour of old-style apartheid.

However, the Nationalists have been caught in the same trap. To ensure a Yes majority they have been addressing two diametrically opposed constituencies — they have been telling the PFP voter that they stand for reform while at the same time they have been trying to reassure the conservatives that nothing is really going to change.

This dilemma was illustrated in the most controversial incident of the campaign when a Minister assured a white audience that the Indians and Coloureds who had been infiltrating a Johannesburg suburb called Mayfair would be kicked out. "These people didn't live in the sky . . ." said Mr Pen Kotze. "They can go back where they came from."

The Indians and Coloureds were outraged and, not surprisingly, forced to wonder whether they were really going to be better off in the Second Republic.

This incident apart, the Government's endorsement of a new constitution has to be seen as a commitment to a cautious degree of reform. In so doing Mr Botha has "come out," defied conventional wisdom and "split Afrikanerdom," and the consequences will continue to be seen for a long time.

Why then has Mr Botha's Cabinet and party taken this irrevocable step? The reasons are complex. P. W. Botha is a Cape man which means that he has a stronger sense of the Afrikaners' responsibility for the Coloureds' situation than his counterparts in the Transvaal. Nevertheless, the young P. W. Botha was involved in the devious processes whereby the new National Party Government after 1948 took away the existing Cape Coloureds representation.

Then there is the simple fact that South Africa's 4.5m whites need allies as they confront 22m blacks and face the prospect of a black population of 40m in a generation's time. Who better, and more available, than the 2.5m Coloureds?

The changes must also seem to make sense as the Government pursues the logic of its ideology: the blacks have been firmly told that their political future can only lie in the network of ethnic homeland states, where "independence" is on offer (although the right of some to live in white urban areas has been acknowledged). But there is no realistic way in which the Coloureds and the Indians could be fitted into such a system.

They can instead be offered a role in the whites' system, though white control will be ensured for ever by the entrenched division of powers in a ratio of four whites: two Coloured: one Indian.

Finally, Mr Botha and his friends are clearly attracted by the argument that a country facing South Africa's problems has a need for an unusually strong executive: hence the powers the new constitution grants to the State President, who will presumably be Mr Botha himself. Both the opposition parties are scared of allowing what they, perhaps with exaggeration, call "dictatorial" powers to the State President.

The critics of the new constitution have apparently had no trouble in tearing it to shreds for a host of well-argued reasons—yet many of them will nevertheless vote Yes today. Many Yes voters are curiously happy to agree that the constitution is inadequate, racist, totalitarian, "an abortion," badly drafted, you name it—but (and here is the clinching slogan of the referendum debate) it is, they declare, "a step in the right direction." That slogan is going to win today's poll for Mr Botha. But is it true?

The Coloureds, for their part, are divided. The Labour Party, which used to be the leading (and radical) coloured party, decided to give the constitution a go, despite claiming it disliked it, and has been in disarray ever since. The Indian reaction is less significant and more cautious.

The Government has not yet decided whether to risk a referendum of Coloured and Indian opinion. The uninvited guests at today's feast have turned out to be the blacks who, excluded specifically from the constitutional exercise, have insisted on intervening—loudly—in the debate.

They have been saying: "Vote No—or antagonise us for ever. Vote No—or admit there is to be no negotiated future for this country. Vote No—or we shall have to reconsider our present preference for a peaceful solution to South Africa's problems. . . ." The leader of this rejection movement, or rather, the most voluble spokesman, has been Chief Buthelezi, Chief Minister of the Zulu homeland, but on this occasion he has been speaking for the whole range of black opinion.

It is a sobering thought for the whites today that the new constitution is rejected by the leaders of all black South Africa, of every political conviction, except for a tiny number such as President Sebe of the turbulent Ciskei homeland.

Some of today's Yes voters appear to be optimistic that this is just a beginning. More reform is on the way, they promise, and the black majority, or at least the urban blacks, will be part of it. The Prime Minister himself has given his answer: There is no "hidden agenda" for reform. This is it.

HOW THE NEW CONSTITUTION WOULD WORK

THE essence of the new constitution:

- The Coloured and Indian minorities are to be brought into the parliamentary system. The 2.5m Coloureds will elect a House of Representatives and the 0.8m Indians a House of Deputies, to join—though physically separate from — the 4.5m whites' House of Assembly.
- There will be 178 white MPs, 85 Coloureds, and 45 Indians—ie the formula of 4:2:1. The formula is entrenched and any shift in population ratios would therefore have no impact on effective white control.
- The entrenched provisions of the constitution cannot be amended except with the agreement of a majority of the membership of each of the three Houses. Many of the powers of the State President have also been entrenched.
- Each House will legislate for the "own affairs" of its community (e.g. education, local government). Each will also be consulted about "general affairs" (e.g. foreign policy and black affairs). No House may interfere in the "own affairs" of another community. The State President will adjudicate on what are "general" and what are "own" affairs . . .
- Contact between the three Houses will be through a system of joint standing committees for "general" affairs. How they are supposed to work remains obscure. The role of the opposition parties in these committees has also been left unclear.
- The executive State President will have very considerable powers, in particular to resolve disputes between the three chambers. He will be elected in effect by the largest party in the White House, i.e. the National Party.
- There will be a Ministers Council for each community but for "general" affairs there will be a national Cabinet selected by the State President which—in a dramatic break with South Africa's traditions — will include some Coloured and Indian members.
- A "President's Council," on which the majority will in effect be the appointed by the State President and his party caucus, will adjudicate on disagreements between the three Houses. Its decision is final and beyond the courts.
- The fundamental legislation of apartheid will remain unchanged.

Men & Matters

In company

An eventful day, yesterday, for Britain's professional engineers as they became, in the words of the Lord Mayor of London, the 94th of the City's several companies.

Resplendent in newly-bought robes, such engineers as Sir Peter Gadsdan, master of the new-born Worshipful Company of Engineers, and Sir Denis Rooke, as senior wardan, sat down to their first official lunch in Mansion House.

Michael Leonard, Hon Clerk, and one of the six founders of the company, explained how the engineers had found a "fast track" to higher status on what happened to be the 24th anniversary of the opening of the first part of the M1.

Six members of the Fellowship of Engineering, at a "coffee-house" meeting earlier this year, agreed to put up the money to get things moving.

They formed the Worshipful Company in June. By mid-September, the City's Court of Aldermen had agreed to the grant of livery. Now they number 50 and are looking for a suitable City hall.

Their coat of arms has been subtly drawn. A sun represents "any kind of energy you can think of." It has no fewer than 16 points. Then there is a lighthouse "to stop us going on the rocks." A shovel and a yardstick are other features. Everything rests on the back of Ironbridge.

"Offer the Receiver a train set, a box of Meccano and twenty conkers and we'll take it from there"

Canadian counsel

Thomas d'Aquino, president of Canada's blue riband business club, the Business Council on National Issues, is in London today, intent on painting a brighter picture of Canada's economic prospects.

The rebound from the recession has been faster than in most other countries, he says. And economic nationalism has gone out of fashion even in the Trudeau Cabinet.

D'Aquino's Council is a formidable organisation, comprising about 150 chief executives of Canadian corporations, commanding assets of more than C$150bn (£82bn), and drawn from mining, manufacturing, finance, and energy industries.

It is, he says, the shape of things to come in the structure of business-Government relations.

Sounds like a traditional lobby for big business? "Not a bit of it," he denies, flatly and rapidly. The Council's purpose is to make an effective contribution to the employment of national resources. It makes its views known on constitutional and parliamentary reform as well as economic affairs.

D'Aquino, who runs his own consultancy, offering advice on relations with government, was trained as a lawyer. He spent five years in the Canadian public service and during the past decade has been legal adviser to Canadian enterprises, with spells in London and Paris.

Now he reckons to make quarterly visits—like this one to London to speak to the Canada/UK Chamber of Commerce—to Washington, Paris, Frankfurt and Tokyo.

Clearly a man in a hurry. But then he needs to be. Traditional capitalism, he believes, may have been given its last chance to fight off the danger of government controls and of a world falling apart into separate trading blocks.

Sign of the times

Unemployed journalist Dennis Elwell went into business yesterday with the aid of a £40-a-week Government grant—as an astrologer.

Elwell, aged 51, of Stourbridge in the West Midlands, is opening a consultancy to help people with business and personal problems, using astrology as an aid.

The Government grant, which lasts for 12 months, is meant as an incentive to set up the business. "It is true that astrology is one of the techniques involved," Elwell says. "But there is no question of my wearing a pointed hat and being a sort of Russell Grant."

Silver lining

Imagine my correspondent's surprise to find himself being bugged yesterday by a beaming East German trade official. It turned out he had been mistaken for a look-alike Australian wool dealer.

The ensuing chat revealed that East Germany is doing quite a lot of its own dealing these days, and not only in wool, which it buys and sells on Western markets.

East Germans, and others in Eastern Europe, are also adept at speculative trading in copper, lead, and above all, silver. This year, East Germany has sold record amounts of silver on the London Metal Exchange.

The country needs every penny it can get to pay off the estimated $4bn it owes on its debt this year to western banks.

The silver is shipped back and forth between London and Rostock because the communist countries are afraid that in the event of any "conflict," the silver would be impounded if it were left in a London bank vault.

Communist speculators perform just as well for socialist society as capitalist speculators do for their own bank accounts, the official claimed.

Once in a while, they do lose money on a deal. But the state gives them a second chance. Less certain, he admitted, that they would get a chance to prove themselves third time lucky.

Medical cards

Doctors have finally got to the bottom of a mystery ailment affecting credit card holders.

During the hot summer, many businessmen transferred bulky credit card wallets from their discarded jackets to their hip pockets, says Dr Robert Heath, of Bristol.

When they sat down the cards pressed into a point right under the sciatic nerve, causing an agonising pain in the backside. "The pain could run down the leg causing the recognised orthopaedic condition we call sciatica."

Sufferers from credit card sciatica have a simple cure, he says. "Just remove the wallet and the pain should subside."

Observer

Ferranti's lucrative lead

Superstars from Oldham

By Alan Cane

TWO YEARS ago, Ferranti Electronics led the world in techniques for making a very special kind of silicon chip called an uncommitted logic array (ULA), a technology it had pioneered in the early 1970s and which made Sir Clive Sinclair's best-selling ZX81 home computer possible.

These chips could be designed and manufactured in a fraction of the time needed for conventional semiconductor circuits and everybody realised—with some surprise—that the Oldham company had cornered the market in *one of the key, lucrative, technologies* of the 1980s.

The question then was: how much longer could Ferranti keep the silicon giants at bay? The answer, more than two years on, is that Ferranti is still the world leader in logic arrays with no real suggestion that its dominance is threatened in the near future.

FERRANTI

Ferranti is still the world leader in uncommitted logic arrays with no real suggestion that its dominance is threatened in the near future, even though it now faces increasing competition.

Mr Bryan Down, Ferranti's marketing director

Its market share has been weakened—down from 30 per cent to 25 per cent—with the arrival of about 100 competitors in the field, from the mighty Texas Instruments downwards. But what is more striking is that no competitor has emerged from the pack to challenge Ferranti's leadership.

It proved more difficult to shake Ferranti's supremacy than even the biggest semiconductor companies could have guessed. "Texas Instruments blew it," one industry specialist said brutally this week, alluding to the fact that the giant of the semiconductor business had problems with its gate arrays which forced it to withdraw from at least one sector of the market. "If these guys were working in the States, they'd be superstars today," another said, pointing to Ferranti's lack of flamboyance.

Uncommitted logic arrays (or gate arrays) are silicon chips in which the standard electronic circuit features—transistors, resistors and the like—are built up in layers to a standard pattern. The final layer, the metal interconnections which define what the chip will do, is fabricated to the customer's specific requirements. It means that a prototype chip which might cost $250,000 designed from scratch by hand can be created as a gate array for $20,000 or so and in a fraction of the total time.

The market for these chips is worth about $250m, world wide, suggesting that Ferranti, with its 25 per cent market share, turned over some $62m in gate arrays last year: a figure which Mr Bryan Down, Ferranti's marketing director, does not dispute.

Gate arrays are used in the miniature electronic circuits in some of the world's most fashionable cameras, in medical equipment, in telephone switchboards and in computers. Perhaps the best known ULA of all was that specified by Sir Clive Sinclair for the ZX81. It enabled him to cut the number of chips used—and hence manufacturing cost and price—by more than 75 per cent.

Sir Clive's lastest offering, his £80 pocket-sized television, contains a Ferranti full custom chip which is effectively a complete television receiver on a chip, an example of Ferranti's skills as combining digital (computer-like) and analogue circuitry on the same chip.

Ferranti's success is based on superb technology, determined marketing and an understanding of the service aspects of the ULA business: "We have been in this business a long time and we know the problems. If our customers need their hands held, we are ready to do it." says Mr Down.

The technology is unique, recognised universally as brilliant, coupled with a special facility for working with the best companies in the UK electronics industry to their mutual advantage. The relationship with Sinclair is one example: he demonstrated dramatically the value of ULAs in small computers, so opening up a substantial new market to Ferranti and others, like AMI, LSI Logic and Philips. It is the kind of interchange—or synergy—that is taken for granted in Silicon Valley, but so far rare in Britain.

This week, Ferranti announces the spectacular results of another piece of collaboration, this time with Lattice Logic of Edinburgh, Scotland. Headed by Mr John Gray, formerly leader of the silicon structures project at Caltech, this company is one of only two in the world specialising in ways of persuading computers to design their own silicon chips. (The other, Silicon Compilers Inc, is on the U.S. west coast.)

Ferranti has invested some £2m—£200,000 of it with Lattice Logic—in a way of designing ULAs automatically. The customer specifies what the chip must do, directions are fed into the computer and complete plans for the chip emerge at the other end.

There is some loss of efficiency in chip design compared with paper and pencil, which is still the very best technique because computers haven't the flexibility of brain power—though they are much faster. The computer can actually draw up the base layers for the chips in five minutes, a job that used to take a month. Preparing the final connections can take only one hour using the new Ferranti system, compared with several weeks previously.

All in all, Ferranti reckons to have cut design time for a complex chip from 24 weeks to eight weeks, giving its customers a significant advantage in getting new products from drawing board to marketplace.

It is the kind of innovation that Ferranti needs if it is to stay ahead. Industry analysts believe that ULA technology will be challenged in the next five years by another low cost design method, standard cell, in which, for example, Texas Instruments has taken a large stake. This is a building block approach utilising "libraries" of standard components.

Mr Adrian Tarr of the consultants Dataquest estimates the European market for gate arrays as $66m today against $9m for standard cells. By 1988, however, the balance will have swung towards standard cells, for which the market will be some $306m compared to around $495m for gate arrays.

Ferranti tends to play down the standard cell challenge, believing that the libraries will prove too expensive to maintain, and inflexible in practice.

Ferranti's sales figures show that it is selling ULAs substantially outside Europe. In tandem with its American subsidiary Interdesign, it is taking the chip war increasingly to the U.S., which Mr Down has identified as the critical market. For the moment Ferranti will not release its American client list, but it is thought to include some of the very largest computer companies.

Ferranti has taken on the Americans in gate arrays and won. But it is a very hard world in which even the mightiest can stumble—as Texas Instruments showed last week when it pulled out of home computers. For Ferranti the question is still whether it can retain what Mr John Gray of Lattice Logic calls its "unique edge in the market place."

Details of Ferranti's new ULA process are given in today's Technology Page.

Common Agricultural Policy

Europe and the road to serfdom

By Stefan Tangermann

WHEN NOBEL prize winner F. A. von Hayek wrote his famous book "The Road to Serfdom" in 1944, he could not foresee that a European Economic Community would come into existence, that this Community would have a Common Agricultural Policy and that this policy would finally end in impasse.

Yet today his book reads like the secret script for the CAP.

One element of von Hayek's theme is the inevitable tendency of government intervention to spread. If the state starts thwarting market forces heavily at one end of the economy, this creates difficulties at another end. Governments feel pressed to do something about these secondary problems, and as they implement new measures the trouble is multiplied. Bureaucratic regulations cover more and more activities, and in the process the economy (and, indeed, the society) comes increasingly under the scourge of state control. What started *in liberty ends up in serfdom.*

The development of the CAP over the last few years is a faithful representation of this theme. But, it seems, the bitter end is still to come.

The CAP has run out of money. The Stuttgart summit requested the Commission to submit proposals for reform and instructed the Council to adopt solutions to the problem.

Anxious to stop gaps rather than cure the cause of the problem

A naive observer might think that the obvious and immediate reaction is to avoid the mistakes of the past, ie, to redress farm price support and market intervention. Quite wrong! As if they had to follow von Hayek's dismal vision, like puppets hanging on invisible strings, EEC farm policy makers are anxious to stop gaps rather than to cure the cause of the problem.

To be fair, one has to admit that the Commission has included a gradual reduction of the level of farm price support as one element in its reform proproposals find acceptance, it is elements of the Commission's prposals find acceptance, It is politically rather unlikely that CAP price support will be redressed. These other elements include, amongst others, restrictions on imports of grain substitutes, quotas for milk production, and a fat tax. These measures are quite representative examples of the CAP's inherent tendency to take the *road to serfdom.*

The proposed fat tax has a double purpose. It is supposed to raise the price of fats competing with butter for consumer expenditure, thereby increasing demand for butter and helping to solve the milk surplus problem.

At the same time, it is seen as a source of income for the Community's budget. But it does nothing to solve the underlying problems, as it neither reduces excessive milk production in the EEC nor reduces unnecessary spending from the Brussels budget.

The fat tax is nothing more than a cheap optical illusion as it merely shifts the burden from the Community's budget to the shoulders of the consumers. Should it be adopted, it would mean expanded government *intervention in* EEC food markets without any economic improvement.

Restrictions on imports of grain substitutes, are also a double purpose policy. Imports of feedstuffs which can be substituted for grain (such as manioc or corn gluten feed) have increasingly displaced cereals in EEC compound feeds, as the CAP has made grain more and more expensive in the Community while grain substitutes could be imported rather liberally.

Restricting substitute imports would channel grain back into *feeding rations and reduce the* Community's grain surplus problem. At the same time it would inflate feed costs and thereby decrease the EEC surplus output of livestock products. However, although this may appear to be an elegant way of killing two birds with one stone, it is of little use if the birds turn out to be the wrong ones.

The EEC's surplus production of grains and livestock is obviously due to excessively high support prices. Yet only *a child would be so naive* as to assume that a direct solution, the reduction of price support, is on the cards. EEC farm policy makers do not like direct solution. They would rather adopt additional new measures if the existing ones turn out to have undesired side-effects.

The decisive issue in the current debate about CAP reform, however, is that of milk quotas.

Again, it appears plausible that restricting price guarantees to a given quota of milk production per farm is the "reasonable" policy reaction when the EEC has unbearable milk surpluses. Of course, milk quotas may help to restrict expenditure from the EEC budget, though not to the extent which politicians would like us to believe. It is highly unlikely that EEC farm ministers would agree to an aggregate volume of quotas significantly below current EEC milk production, as proposed by the Commission. Should they adopt the quota solution, the usual adding-up of national interests will, rather, result in a relatively high level of quotas.

But even if quotas help to restrict Community budget expenditure, this is an optical illusion even greater than in the case of the fat tax.

Farm ministers will support dairy farmers' incomes, which can no longer grow through an expansion of output because of quotas, by stepping up milk prices. This means that visible Community budget expenditure is replaced by a hidden burden on EEC consumers of milk and dairy products. And as this consumer burden is hidden there will be a tendency to increase it more and more. Experience in countries which have *milk quotas demonstrates* this point forcefully.

Some farm policy makers argue that problems like these are negligible as quotas will be established as an interim solution only, until difficulties in the EEC *milk* market are solved.

Shifting the burden from the Budget to the consumer

These politicians are either naive or cynical. Under the umbrella of quotas, milk prices will be raised to such an extent that it will *soon* be impossible to remove quotas without a massive boom in milk production or a drastic cut in milk prices, both of which will prove politically unacceptable.

Quotas are here to remain. Again, the history of other countries contains lessons for anyone willing to listen.

A decision to introduce milk quotas in the EEC would, therefore, be a fundamental and irrevocable change of the CAP. It would add a decisive new element of heavy government intervention to the Community's farm policy, instead of decreasing interference with market forces in the light of our unhappy experiences with the CAP.

Milk quotas would lead the CAP on the road to serfdom, on a road which would turn out to be a cul-de-sac, with no turning point at the end. Save the CAP before it is too late!

Stefan Tangermann is Professor of Agricultural Economics at the University of Göttingen.

Letters to the Editor

Confusing the electorate

From Mr Andy Thompson

Sir,—In his article on electoral systems (October 12) Peter Pulzer suggests that tactical voting can occur in those electoral systems which allow preferential voting, as in France and Australia. This is no doubt the case in the "second ballot" system in France, where there are only two stages of elimination for unsuccessful candidates. However, it is most unlikely in Australia, where the alternative vote (AV) system applies in the most important elections. Under this system the voter numbers each candidate in order of preference, and candidates are eliminated from the bottom in successive counts with their next preferences redistributed to remaining candidates.

There is only one form of tactical voting which could conceivably make sense under AV, and this is very unlikely to occur in practice. It would, for example, require dedicated Conservatives in Tory held seats to give their *first* preferences to Labour — the motive being to ensure that the Alliance candidate finished third behind Labour and was thus prevented from defeating the Tory with the aid of the second preferences of genuine Labour supporters. If too many Conservatives voted this way the tactic could of course backfire, leading to the election of the Labour candidate with Tory votes. It would therefore be a hazardous and unappealing manoeuvre.

The AV system has much to recommend it. It would remove the capricious absurdities of our first past the post (FPP) system, while retaining the undoubted advantages of the single member constituency. Perpetual coalitions and minority administrations which could result from proportional representation would probably be avoided. There would remain a bias in favour of the strongest party gaining an overall majority of seats, but only where this was backed by a degree of consensus in preferential terms.

Peter Pulzer may well be wrong in suggesting that the AV system might not have overturned some of the overall majorities recorded in the closer General Election contests in post-war Britain. His mistake lies in assuming that the pattern of first preferences under AV would match the actual votes recorded under FPP. In fact many of the latter have not been genuine first preferences. Throughout most of the postwar period the Liberals have suffered from the "wasted vote" syndrome across the country. It is likely that in a small but sometimes critical number of constituencies they could have been elected under AV even where they came a relatively close third under FPP.

Andy Thompson.
25, Conrad Drive,
Worcester Park, Surrey.

Metropolitan confrontation

From the Leader of the Greater London Council

Sir,—What a difference seven years makes. In your supplement on the Metropolitan counties Environment Secretary Patrick Jenkin writes: "In the metropolitan areas we see large councils . . . with few operational functions. It is perhaps not surprising that some of the councillors have sought an outlet for their energies in developing a so-called strategic role. This has proved to be a recipe for conflict and duplication."

Yet, as Robin Pauley demonstrates in his article on the same page, the self-same Patrick Jenkin in his evidence to the Marshall Enquiry on the GLC in 1977 said: "I therefore believe that we have got to return to the concept that the GLC is a strategic authority. The GLC's planning powers should be essentially strategic and provide a framework within which the boroughs should operate the day to day controls."

Has it been Mrs Thatcher's personal insistence on abolition of the GLC that has made him change his mind in quite such a spectacular manner? I think we should be told.

Ken Livingstone,
Members Lobby,
The County Hall, SE1.

Macmillan and Beethoven

Sir,—The BBC — *not often* noted for its subtlety—paid Mr Harold Macmillan a delightful compliment on the occasion of the interview broadcast last Thursday night. The music chosen to introduce and round off the programme was Beethoven's opus 90 piano sonata: by implication, the BBC are wishing him a lifetime of 135 years.

You will not expect me to explain why.

O. S. Prenn.
Gloucester Lodge,
47, Hyde Park Gate, SW7.

Investment for a nation

From Mr Philip Chambers

Sir,—For all the Government's concern with unemployment and the billions of pounds being spent in one form or another in attempts to achieve some reduction of the number, I have yet to read or hear the suggestion that one very positive way in creating employment and at the same time creating great beauty, in place of what at present is desolation, would be the reafforestation of the Scottish Highlands. Also large tracts of Wales which at present are barren wastes.

Three achievements would be gained from this venture and they are:—

1. Employment for some thousands of men.
2. Creating beauty over great areas of our country which at present are nothing more than nearly desert.
3. Making an investment for the nation in its future supplies of timber, which would pay a hundred times over the tens of millions of pounds that would now be spent. (Which is something that cannot be said of many Government sponsored ventures.)

A bonus to the scheme is that it would not require a new department of Government and a proliferation of civil servants, as we already have in being the required organisation and expertise in the form of the Forestry Commission. The Commission now having been established for some half a century has acquired the knowledge and experience to be able to take on such a major enterprise without the waste and incompetence which is to be expected from a major venture started from scratch without tried and experienced personnel to run it.

The Government which was responsible for creating the new forests to beautify our country would be remembered with gratitude by future generations; and the great forests would be a living memorial to that government's constructive foresight.

Philip Chambers.
Kern Ground,
Hawkshead,
Cumbria.

Accountants in local government

From the County Treasurer, Devon

Sir,—I note with some interest the allegations of overpayment of accountants in the public sector reported on October 17.

On the general allegation, your report does not indicate the degree of analysis carried out by the consultancy referred to; were job descriptions, responsibility levels, experience requirements etc compared? Or was it, as I strongly suspect, a superficial exercise carried out without these essential comparisons. Too often the public sector is castigated by outsiders without knowledge of their services.

Devon is one local authority singled out for allegedly paying over the market rate. To my knowledge the consultancy did not seek from me any information about the jobs advertised. In both cases, wide external advertisement has produced very few applicants who remotely measure up to the requirements of the job. In one case, an Audit post was offered to an accountant from the private sector who was promptly promised more money by his employer—and accepted the promise. Re-advertisement of this post has produced only four applicants countrywide.

Local government is by any standards very big business. It needs accountants with drive, initiative and vision. In most cases, we cannot compete with the "fringe" benefits offered in the private sector. That presents a major recruitment problem.

But of far greater impact on recruitment is the continued "bad Press" which the public sector continues to receive. Is it any wonder that recruitment becomes difficult if not impossible? No thrusting, ambitious young accountant will be likely to wish to join us in doing a vital and important job when the credibility of the organisation is constantly doubted.

Perhaps you would care to publish this in the interests of balanced reporting.

B. J. Weston.
County Hall,
Exeter.

Absorbing Pink-un

From Mr Roger Pulford

Sir,—I can support the experience of Mrs Brawn (October 29) who advocates the use of the FT's moisture-retaining quality for growing beans, by explaining that our family rabbit, Sophie, tears to shreds all newspapers in her hutch, other than the FT which she finds most absorbing!

Roger Pulford,
33 Selsyn Crescent,
Hatfield, Herts.

FINANCIAL TIMES

Wednesday November 2 1983

Argentine junta plans December handover

By Jimmy Burns in Buenos Aires

ARGENTINA may return to civilian rule more than a month earlier than planned following Sunday's election victory by Sr Raul Alfonsin's Radical Party.

President Reynaldo Bignone and the ruling junta were meeting yesterday to arrange a date for the handover of power – expected to be December 5 or 15. Before the election, January 30 had been planned.

The junta, which had earlier been deeply split over the timing of its withdrawal from government, has been reassured by the relatively stable aftermath of the poll. The political atmosphere yesterday remained good spirited and generally calm, following isolated clashes between rival factions and one report of looting on election night.

This is in stark contrast to the last time a period of military government was brought to an end. In 1973, armed youths celebrated the victory of the Peronist candidate, Sr Hector Campora, by occupying public buildings and marching on prisons to demand the immediate release of all political prisoners.

Party leaders have gone out of their way to bury the angry rhetoric of their campaigns in preparation for a political pact. On Monday night, as final results confirmed a clear majority for Sr Alfonsin, the Radical candidate held a "meeting of reconciliation" with the defeated head of the Peronist party, Sr Italo Luder.

Both said they had agreed to work together for the sake of national unity and would seek the co-operation of their respective parties in Congress for the application of key legislation. They urged the military authorities to hand over power as soon as possible.

By law, Sr Alfonsin cannot be sworn in as president until his victory has been formally endorsed by the civilian electoral college on November 30. But, having achieved a clear majority in the college, the Radical leader yesterday began sounding out candidates for his future government.

Significantly, the only Radical minister to have so far been confirmed in his post is Sr Juan Carlos Pugliese, the Economy Minister during the last Radical government (1964-66). Sr Pugliese will now head a revamped Ministry of Defence, underlining the Radicals' commitment to military reform. The party has promised sweeping changes in the military hierarchy, drastic cuts in defence spending, and the scrapping of compulsory national service.

The Radicals are also expected to draw on an experienced economic team, including Sr Enrique Garcia Vazquez and Sr Bernardo Grinspun. They have been tipped for the posts of central bank governor and Economy Minister, and are regarded in banking circles as moderates and helpful figures in negotiating Argentina's $39bn foreign debt. Domestic policy will be focused on a social contract with both sides of industry aimed at curbing Argentina's inflation rate of over 500 per cent.

One of the more problematic issues facing the incoming government is human rights, and it is here that one of the main points of tension with the armed forces is expected to arise.

Radicals examine debt, Page 3

IBM in $669 challenge to home computer rivals

BY PAUL TAYLOR IN NEW YORK

INTERNATIONAL Business Machines (IBM), the world's largest computer maker, which has already taken the personal computer market by storm with its IBM PC, yesterday unveiled its long-awaited and much talked-about entry into the home computer business. However, IBM said its new product will not be available for sale for several months.

The IBM PC Jr will be sold in two models with a starting price of $669 beginning next spring.

The product, immediately hailed by industry analysts as "a major new consumer product," is widely expected to be the key influence in a redefinition of the expanding, but financially troubled, home computer market in the U.S.

The IBM PC Jr – codenamed "the Peanut" during its development – was unveiled at a typically low-key IBM demonstration in the company's recently completed mid-town Manhattan offices.

Many of the machine's advanced features – including its infra-red remote control system, which allows the slim-style detachable keyboard to be used away from the main unit – had been widely leaked ahead of the formal launch.

Wall Street analysts suggested this may have been the reason why IBM – somewhat uncharacteristically – decided to announce the model before it could supply the product to retailers.

IBM said yesterday that delivery of the basic computer and a $1,269 enhanced version equiped with extra memory and a disk drive would begin "in the first quarter of 1984." The company said that while it will continue to increase production rates through 1984 "initial supplies will be limited and may not be sufficient to meet expected demand."

Retailers say they have been told to expect only demonstration units this year, with volume shipments due to begin at the end of the first quarter of 1984.

The PC Jr, which is capable of running many of the sophisticated programmes such as word processing packages and spreadsheet analysis available for the IBM PC, will also be marketed through IBM's extensive national marketing division.

The delay in shipments was yesterday greeted with surprise by some Wall Street analysts who believe it may offer a breathing space to other computer manufacturers like Apple Computer, Commodore and Tandy, whose existing and planned products are likely to be in direct competition with the IBM PC Jr.

Reaction from other manufacturers was predictably muted.

Tandy, which markets a wide range of personal and home computers, said it was "too soon to tell what impact the IBM machine will have on the market."

Ferranti's lead, Page 15; PC Jr profile, Page 17

New Inmos chip will process 10m instructions a second

BY ALAN CANE IN LONDON

INMOS, the UK's state-backed semiconductor company, yesterday launched its first "transputer," a microprocessor chip which the company sees as the key to its future.

The new chip, developed at a cost of nearly £5m ($7.45m), will compute at the rate of 10m instructions a second, as fast as the very largest IBM computer of only three years ago.

It is the most important product the company has launched, the first of a family of similar "superchips" and one which could confirm Inmos' growing reputation as a semiconductor innovator of high quality.

If the electronics industry rejects the controversial product, however, the future of Inmos must be at risk.

The new device will be announced at a major electronics conference in the U.S. next week. The first production samples will be manufactured at Inmos's fabrication plant in Boulder, Colorado.

The name transputer was coined by Mr Iann Barron, one of Inmos' founders and its director of strategy. Inmos argues that the transputer, basically a very powerful microcomputer, will prove much more powerful yet much easier to incorporate into products than conventional highly powered microprocessors.

Mr Barron said yesterday: "It will be much faster than other microcomputers and it will be easier to program and cheaper to engineer into systems." He was unwilling to set a market value for the new device.

"It is a programmable component for electronic systems so its potential is as great as that of the electronics industry – and that is still growing," says Mr Barron.

The transputer is likely to be used first for signal processing and advanced computer terminals.

With the introduction of the transputer Inmos offers both memories and microprocessors, and is already well placed in the static random access memory market.

The transputer does not exist yet, although prototypes of simpler devices processing 5m instructions a second have been built, and proved to work.

The company is still seeking external financing, although neither it, nor Mr Barron, would comment yesterday on progress.

Technology, Page 12

Bowater to sell loss-making Canadian newsprint assets

BY ANDREW FISHER IN LONDON

BOWATER, the UK paper and packaging group with important North American interests, is selling its largest Canadian newsprint mill, in Newfoundland, after making heavy losses there.

The announcement of talks with potential buyers buoyed the Bowater share price, which closed 5p higher at 210p. Earlier this year, the group was the subject of takeover rumours which pushed the price up to 245p in the summer.

Bowater did not say which companies had shown an interest in the Corner Brook mill, or what price it was seeking. But the potential buyers are believed to be from North America.

The group earns most of its profits in North America and accounts for 10 per cent of the U.S. newsprint market, mainly through mills in Tennessee and South Carolina.

The decision to sell the Corner Brook assets, which also include a hydroelectric power plant and 4½m acres of leased woodlands, follows pre-tax losses there of C$4.5m (US$3.6m) last year and a likely loss of over C$10m in 1983.

The Corner Brook mill, bought in 1938, accounts for about a fifth of Bowater's North American capacity of 1.3m tonnes of newsprint a year. The bulk of this capacity is in the U.S. south. The Newfoundland mill is Bowater's only loss maker in North American newsprint.

Bowater's profits slumped in the first half of this year, mainly because of weaker North American newsprint and pulp markets.

The group pre-tax profit fell from £42.3m ($63m) to £24.6m. Trading profits in North America were down from £50.3m to £23.3m. Recently, however, newsprint demand and prices there have begun to pick up.

The Corner Brook operation is valued in Bowater's accounts at C$84m. But market analysts said the group would achieve nowhere near that figure and Bowater admitted it would make a loss on the proposed sale.

Corner Brook's operations were slimmed down by Bowater in April, with the closure of one of the five machines, reducing annual capacity from 415,000 to 300,000 tonnes annually. The mill employs 1,500 people – 760 were laid off with the machine closure.

About three quarters of the Corner Brook output is now exported outside North America. But competition in these markets has been fierce recently, especially from Scandinavian producers.

About half the Corner Brook output used to go to the U.S. Large capacity additions by U.S. and Canadian newsprint producers have, however, squeezed the Newfoundland mill out of this market.

Bowater's large Calhoun newsprint mill in Tennessee, the Catawba mill in Carolina, and the Mersey operation in Nova Scotia, jointly owned with the Washington Post, will be unaffected by the Newfoundland decision.

See Lex, this page

Currency controls fail to halt flight from shekel

By David Lennon in Tel Aviv

ISRAEL'S decision to reintroduce foreign currency controls was welcomed by most sectors of the economy yesterday, but it did little to slow the continued run on bank shares, one of the primary objectives of the new regulations.

The move came exactly six years after foreign currency restrictions were lifted.

Mr Yigal Cohen-Orgad, Israel's Finance Minister, announced the move on national television late on Monday. Israelis will be allowed to hold up to $3,000 in cash or travellers' cheques, but only for travel or purchases abroad.

This latest emergency step was forced on the Treasury after it realised that the 23 per cent devaluation of the shekel last month and the provision of a guaranteed base price for bank shares had not halted the flight from shekel securities to dollars, for which there was heavy demand this week.

The need to stem the public's purchase of dollars was underlined yesterday by the news that Israel's foreign currency reserves fell last month by $176m, the largest drop in a single month in the past 10 years. The reserves now stand at $2.75bn, after falling by $422m in the past six months.

The sale of bank shares yesterday made it clear that the public is still awaiting some comprehensive measures to deal with the economic crisis. Until the Government takes more serious steps it appears that the public will continue to prefer hard currency investments over those denominated in shekels.

The Government had to spend another $45m yesterday to buy up bank shares on the Tel Aviv Stock Exchange to prevent their prices falling further. Despite spending some $350m to support bank shares since trading was resumed in the middle of last week, the price of these shares has fallen by 23 per cent.

Currencies, Page 33

Japanese in Belfast ships deal

Continued from Page 1

job losses. It still remains Ulster's largest industrial employer, but at one time it employed up to 25,000 workers, mainly Protestants from East Belfast.

Founded in 1853, Harland became renowned for building passenger liners, including the Titanic, which sank on its maiden voyage in 1912 after hitting an iceberg. The workforce was steadily reduced in the 1960s and a new dock, designed to build the largest supertankers, was completed just before the oil crisis caused the tanker trade to slump.

Harland became wholly state-owned in 1975, and, since then, over £200m of public funds has been committed to it. It has recently submitted a corporate plan to the Government which would reduce its working area of 330 acres by about a quarter and invest in computer-aided design and manufacturing techniques.

Mr Parker said yesterday he thought Harland could build five of the Friendship HT ships a year. The vessels, designed by Bahamas-based Algoship International, can carry general cargoes, newsprint, package lumber, grain, ores and other bulk commodities.

IHI has delivered about 300 F-class ships, to which the Friendship HT is a successor. It has the advantages of long production runs and the scope to contain costs through standardising ship output.

THE LEX COLUMN

Assets lose their allure

Reed International has seen the benefit of less depressed markets for many of its businesses in both the UK and the U.S. in the half-year to October. Pre-tax profits in the period have risen from £26.1m to £39.2m, with the second-quarter outcome nearly twice as high at £18.8m. But the improvement is far from being a purely cyclical phenomenon. The best gains have been seen in businesses in which Reed has been vigorously expanding its interests in recent years.

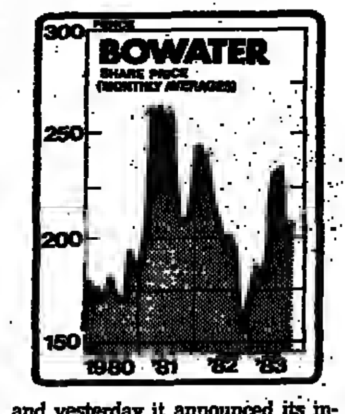
In particular, U.S. publishing, where Reed has established a strong position in technical magazines, has shown a strong gain, helping to compensate for the disappointing newsprint performance. UK publishing was also healthy, boosted by the elimination of some £1½m losses at Odhams. Elsewhere, building products in the UK have been usefully higher, while decorative products were back in profit, again after loss elimination.

Between 1979 and 1983, the proportion of turnover in publishing has risen from 28 per cent of the total to 42 per cent, with paper and packaging turnover dropping from 50 per cent to 37 per cent. The shift away from asset-hungry businesses – now common in a range of UK companies – has the effect of reducing internal cash demands for capital expenditure. Net debt currently stands at about 40 per cent of net tangible assets, and with a further cash inflow to come with the disposal of the Mirror Group, Reed is in a position to launch into a series of acquisitions to boost its presence in information markets. The share price, which has remained buoyant since the Mirror disposal plan was announced, moved up a further 6p yesterday to 346p, on the dividend rise.

Bowater

While Reed International has been busily diversifying out of capital intensive businesses, Bowater has mostly been clinging on and praying for an upturn. The consequences of this determined position are only too well known to its shareholders – almost a decade of operating cash outflow culminated last year in a cut dividend and vigorous takeover speculation.

More recently, however, even Bowater has been indicating that it would use the next cyclical upswing to shift the balance of its business



and yesterday it announced its intention of selling one particularly cash-hungry operation. The Corner Brook Mill in Newfoundland will probably lose around C$12m, pre-tax, this year and is, by a fair margin, the least efficient of the group's four North American mills.

After the experience of the past few years, Bowater was understandably reluctant to invest perhaps C$250m in bringing the mill up to scratch and appears close to finalising a sale. Equity in the subsidiary company is stated at C$84m in the 1982 accounts, but that will have been depleted by retained losses this year and substantial provisions may well have been made in the parent's accounts.

The cost of building a mill of this size from scratch is probably around C$400m and Canadian newsprint shipments are at last showing a glimmer of recovery, so Bowater may be able to persuade a purchaser to take the related debt, totalling C$51.6m at the end of last year, along with it. However, any book loss to Bowater will be comfortably offset by the advantage of shedding such a copious capital-guzzler.

Nissan Motor

In its search for international growth, Nissan Motor seems to have taken its eye off the ball at home. Yesterday it reported a 27 per cent drop in parent company net income for the six months to September and forecast a similar fall for the full year.

In Japan, Nissan has been squeezed by a loss of market share – principally to Toyota – and a shift in the market towards smaller, low-margin vehicles. Its response has been to invest in financing packages for dealers, the cost of which has been hard to shoulder at a time of heavy spending on the capital account.

Foreign exchange gains, contributed Y21bn this time last year, have now evaporated, leaving the group heavily dependant on buoyant U.S. sales volume to stem the decline in its fortunes. This week's renegotiation of export quotas to the U.S., giving the Japanese an increase from 1.68m to 1.85m units, will probably be viewed as a satisfactory compromise by the industry, although the major producers may this time have to share the cake with the smaller companies like Isuzu and Suzuki. So Nissan may well continue to build up its overseas manufacturing base, even if the introduction of a car assembly line in Tennessee currently looks more likely than a green light on the long-mooted UK plant.

Aspinall Holdings

In no way would the offer document for Aspinall Holdings make appropriate reading at a meeting of Gamblers Anonymous. Profits depend on a "core of very high stake players, which comprises a small and changing group of individuals, most of whom come from abroad". The switch to new – and more spacious – surroundings may either increase takings or undermine the club's position in this fashion market. With fixed operating costs, trading profits soared from £2.7m to £8.5m in 1982 after the Gaming Board had driven out much of the competition and the "drop" doubled. What would happen if the board relaxed its strict limits on the number of new clubs?

The cash generating power of casinos can be formidable, and has been used in the past to finance major diversifications – as in the case of Ladbroke. No clues are given on what Aspinall intends to do with its copious surplus cash but, with Sir James Goldsmith indirectly holding 40 per cent of the company, it will probably not be left on deposit in a commercial bank.

Indeed, a flavour of the aggressive attitude to fund management in store can be seen in the $41m play on U.S. interest rates of a month ago. For what it is worth, the price-earnings – of about 10 times, fully taxed – is on the same baize table as those of Pleasurama and Trident.

Attack on EEC waste

Continued from Page 1

Finally, it calls for the systematic pruning of direct subsidies such as aids to starch, durum wheat and tobacco producers.

Turning to the CAP's guidance section for farm modernisation, the court deplores the absence of "a clear and stringent programme designed to help farmers abandon production in surplus sectors." It suggests that "many investments" are made without taking into account the fact that they tend to make surpluses worse.

On the regional fund, the Commission is also accused of failing to determine priority areas for action and for producing inadequate estimates of the effect of investments on employment. Projects backed by the social fund are not followed by any attempt "to assess the consequences and effectiveness of the measures financed."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	R	9	48	Malaga	F	23	73	Salzburg	F	11	52
Akrotiri	S	23	73	Faro	S	21	70	Malta	-	—	—	Seoul	S	16	61
Algiers	F	19	66	Florence	F	17	63	Manila	S	33	91	Singapore	R	32	90
Amsterdam	C	13	55	Frankfurt	C	9	48	Miami	C	27	81	Stockholm	C	9	48
Athens	F	20	68	Funchal	S	23	73	Milan	S	14	57	Strasbourg	C	11	52
Bahrain	C	29	84	Geneva	S	11	52	Moscow	C	4	39	Sydney	R	20	68
Bangkok	S	31	88	Gibraltar	C	21	70	Munich	F	9	48	Taipei	S	25	77
Barcelona	S	18	64	Guernsey	C	13	55	Nairobi	-	—	—	Tangier	S	26	79
Beirut	S	21	70	Helsinki	C	8	46	Naples	F	14	57	Tehran	-	—	—
Belgrade	C	8	46	H. Kong	S	27	81	New Delhi	S	30	86	Tel Aviv	S	31	88
Berlin	C	11	52	Innsbruck	S	11	52	New York	S	15	59	Tenerife	D	23	73
Biarritz	S	15	59	Inverness	R	11	52	Nice	S	20	68	Tokyo	S	19	66
Blackpool	C	13	55	Is'tanbul	F	18	64	Oporto	S	19	66	Toronto	C	17	63
Bordeaux	C	15	59	Jersey	C	13	55	Oslo	F	12	54	Tunis	D	17	63
Brussels	C	12	54	Jo'burg	S	28	82	Paris	C	13	55	Valencia	S	18	64
Budapest	S	13	55	Las Palmas	F	24	75	Prague	S	9	46	Venice	S	23	73
B. Aires	S	22	72	Lima	S	21	70	Reykjavik	Sn	2	36	Vienna	C	11	52
Cairo	S	27	81	Lisbon	S	17	63	Rio de J'o	C	34	93	Warsaw	C	9	48
Cape Town	-	—	—	Locarno	S	15	59	Rome	S	19	66	Zurich	S	18	58
Caracas	C	29	84	London	C	14	57								
Casablanca	S	28	82	Los Angeles	R	26	79								
Copenhagen	C	10	50	Luxembourg	C	9	48								
Corfu	F	19	66	Madrid	S	14	57								
Dublin	C	14	57	Majorca	S	20	68								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK ministers debate future of utilities

Continued from Page 1

the British Gas Corporation's statutory monopoly and to permit the private generation of electricity.

Mr Walker is highly sceptical about such moves. He notes that there has been very little private interest in electricity generation and hence the monopoly position will continue to exist in many parts of gas and alectricity.

These industries could still, he argues, be freed from government interference and sold to the private sector, though with a system of regulation to protect the consumer and to guarantee safety. But there are many unresolved problems about pricing, especially of gas.

Consequently, Department of Energy officials had been asked to prepare, by early next year, possible means of privatisation and regulation, including ideas for employee participation. These proposals would then be discussed with the industries before being put to the Cabinet, possibly in the spring.

The Treasury argues that this view would mean tha continuation of a monopoly which would be even less accountable than at present. There are suggestions that Mr Walker has come under the influence of Sir Denis Rooke, chairman of British Gas, who wants to keep his organisation intact and with whom Mr Lawson had poor relations.

The whole disagreement reflects the general uncertainties about the scope for "privatisation" beyond the existing programme and the sale of profitable parts of manufacturing operations

Among some of Mrs Thatcher's advisers, and within the Treasury, there appears to have been a shift towards a greater emphasis on extending competition.

This partly reflects Treasury dissatisfaction with the initial proposals for the privatisation of another monopoly, British Telecom. Initially only one major competitor, Mercury, was envisaged, though a number of measures of liberalisation on, for example, the supply of equipment have been introduced.

The view now seems to be that the development of technology should reduce the market dominance of British Telecom

However, Mr Kenneth Baker, Minister for Information Technology, is expected to make a speech within the few weeks outlining the extent of the competition to British Telecom when part of it is sold to the private sector during the next two years.

Murdoch buys Chicago paper

Continued from Page 1

represents a "substantial investment for our company, but with great potential for existing growth the price of $90m is in line with recent prices paid for less profitable newspapers in other cities."

Mr Murdoch's publishing empire entered the U.S. market in 1973 through the purchase of the San Antonio Express for $18m. In 1976 it paid $16m for the New York Magazine and Village Voice, and shortly afterwards paid $30m for the loss-making New York Post. Late last year it paid $8m for the lossmaking Boston Herald, which it has relaunched.

The last two acquisitions are still losing money, but their losses are offset by the contribution from the rest of Mr Murdoch's U.S. publishing interests.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday November 2 1983

Japan curbs 'notorious' Sarakin loans market

BY YOKO SHIBATA IN TOKYO

NEW LAWS to regulate Japan's notorious unsecured consumer loan market came into force yesterday following a sustained campaign by the press and the business community over the activities of some of the less respectable companies operating in this sector.

An estimated 40,000 to 50,000 companies are involved, known as Sarakin companies, which provide unsecured loans for unspecified purposes with interest rates that have been as high as 110 per cent per year. The Sarakin companies are not a minor industry – rapid growth saw Y2,500bn ($10.7bn) worth of business on their books in March and the top four companies had an average growth of loans issued of over 115 per cent last year.

An upsurge in bad debts and the accompanying tragedies – there have been more than 1,000 reported suicides so far this year connected with Sarakin loans – led to a public outcry and demand for legislation earlier this year.

The new laws lower the maximum lending rate to 73 per cent for the next three years. Then the rate will go down further to 54.75 per cent and at some point in the future to 40 per cent. The laws also impose limitations on the use of force by debt collectors working for the Sarakins.

Harrassing debtors at their homes between 9pm and 8am, at their offices or embarrassing their children are all now banned. So also is the employment by Sarakin companies of anyone with a criminal conviction in the previous three years.

At the same time the Finance Ministry has urged banks and insurance companies to stop lending money to Sarakin companies. Some Y1,000bn has been lent, directly and indirectly, by regulated institutions to such companies – about a quarter of it by foreign banks.

A credit squeeze on the Sarakin by the banks and insurance companies that started this summer is already beginning to have some effect. However, its most serious impact has been on the borrowers rather than the companies.

The wave of suicides in recent months is said to reflect the increased pressure from the moneylenders attempting to recover loans before the new laws came into effect.

The credit squeeze has also made the Sarakin look more closely at applicants for credit. Some chronic heavy debtors, unable to borrow money from one Sarakin to repay another, are now being driven to desperate measures.

Faced with criticism that its proposed law on the Sarakin did not go far enough the ministry has responded with a set of guidelines for the companies. It is under these that the use of undue pressure to repay loans is prohibited. There is also a limit set of Y500,000 for any single borrower.

However, many in the banking world point out thet the law and the guidelines are full of loopholes. The bigger Sarakin are now the size of mutual banks in terms of their loan portfolios and have profits comparable with those of the major regional banks.

Some even have cash dispensers and antomatic teller machines and vie, in terms of automation, with the top city banks. These will easily find their way around the new regulations – or so it is feared.

Tokyo relaxes controls on syndicated yen borrowing

TOKYO – The Finance Ministry has told Japanese banks that they can proceed with plans for the issue of yen syndicated loans to overseas borrowers. The ministry has also lifted controls over the issue terms of yen syndicated loans according to bankers.

In the past the ministry has issued six-monthly quotas for banks and set guidelines for issue terms. The quota for the April-September period was Y700bn (US$3bn) to all borrowers, including sovereign borrowers, international financial institutions, and corporate borrowers.

The loans were to be supplied at 0.2 to 0.3 percentage points above the long-term prime lending rate in Japan, which was 8.4 per cent for most of the period.

The ministry is no longer to announce the total of individual banks' lending plans for the October-March period, because there are no longer quotas.

However, the ministry will continue to monitor the banks' yen syndicated loan issues monthly, in case the controls need to be tightened again for balance of payment reasons or to check any unusual increase in lending.

The ministry also told banks it hopes their total yen syndicated loan issues would not exceed by too much the April-September level.

The banks were also given to understand that the ministry does not want any drastic changes in issue terms.

Reuter

Canada permits discount broking

By Nicholas Hirst in Toronto

BANKS and other large financial institutions in Canada have been given permission to offer a cheap share buying service by putting trades through newly formed discount brokers.

In a landmark decision the Ontario Securities Commission (OSC), the senior regulatory body in Canada, has rejected arguments by the securities industry that to allow financial institutions to promote cheap share trading services would lead to an undue conceotration of financial power and damage brokers' ability to underwrite new issues.

"We are hoping that thare will be more investors in the capital market because they will be affected by a broader access to those capital markets," Mr Peter Dey, chairman of the OSC said.

The Toronto Dominion Bank, one of the big five Canadian chartered banks, is expected to offer a widely advertised service within a matter of weeks.

Discount brokers prepared to trade shares at low commissions without giving any investment advice were set up in Canada after the OSC ordered an end to a system of regulated fixed rate commissions on April 1.

The Toronto Dominioo announced plans to set up a service which would allow an investor with a minimum portfolio of C$ 10,000 (US$8,130), executing at least five trades a year to use a toll-free telephone line to place share deals through discount brokers. Banks have always been allowed passively to accept share trades from their customers, but the securities industry argues that by advertising such a service the Toronto Dominion would be acting against the spirit of the Bank Act. The securities industry said the proposal was "the thin end of the wedge" for the banks to move in on the brokerage business.

Toronto brokers busy, Page 18

Louise Kehoe in San Francisco examines the launch of a new IBM model

Frontal assault on home computers

IBM HAS declared itself the owner of a major portion of the $4bn market for home computers. With the announcement in New York yesterday of "PC Jr," previously known by the code name, "Peanut," IBM has brought its huge marketing power to bear upoo the consumer computer business.

PC Jr will unseat Apple Computer and Commodore International as leaders in the field, according to industry analysts and computer retailers. Both companies will be put under pressure by competition from PC Jr, which is expected to have an immediate impact upon their sales, analysts suggest.

"IBM will play on its strength in the corporate market to persuade iodividuals to buy a home computer that works just like the one on their desk at work," predicts Mr Bill Frank, senior vice-president of InfoCorp of Cupertino, California. He believes that PC Jr will expand the bome computer market by attracting a large group of potential customers who previously were unsure about the advantages of a bome computer.

Corporations that have already purchased large quantities of the more expensive IBM desk top personal computer are expected to encourage executives to buy a PC Jr to use at home. Corporate discounts and schemes to relate PC Jr purchases to business, making the machines a tax deductible expense, are also expected.

InfoCorp estimates that IBM will ship 20,000 units this year – enough to supply each of their U.S. dealers and sales groups with about 15 machioes. IBM has said only that it will begin shipments in December and increase production rates through 1984.

"Initial supplies will be limited and may not be sufficient to meet expected demand," the company said. InfoCorp predicts that IBM will ship as many as 300,000 units next year, more than most of its competitors combioed, placing it immediately at the head of the home computer market.

By delaying shipments until December, IBM appears to be gambling that consumers will delay buying a personal computer until the PC Jr is available, thus missing the Christmas boom. Mr Ulrich Weill, electronics analyst at Morgan Stanley, says "if that is their strategy, they are making a big mistake."

PC Jr will come in two versions. The basic model, priced at $669, uses plug-in cartridges much like those used for video games. The keyboard units will transmit signals to the computer box via infrared signals on the same principle as many remote TV controls. IBM is also offering a $1,269 version of PC Jr, with an added disk drive. That will eoable the unit to run more complex programmes such as spread sheet analysis, word processing, and data management.

With the PC Jr, IBM has announced a communications device that enables the home computer to receive and transmit information to and from other computers, such as corporate main frames. Other options include a joystick, for computer games, a thermal printer, and more than a dozen software programmes.

An important feature of PC Jr is that it is compatible with IBM's hugely successful desk top personal computer. The macbines are so similar internally that very little modification will be required to make PC programmes run on Jr. Already dozens of software companies are rushing to launch new versions of their programmes to fit the Jr.

The higher-priced version of the PC Jr is seeo as a direct competitor for the Apple IIE, which currently sells for around $1,300 in a similar configuration. The $669 version of the PC Jr will compete directly with the Commodore 64 home computer.

A shortage of PC Jr units could initially present an opportunity for IBM's competitors to mop up demand created by the IBM announcement, say computer retailers. Looger term, however, both Apple and Commodore are expected to re-position their products to counter the new IBM competition.

Mr John Sculley, president of Apple, said in a recent interview that his company will leverage the advantages of its five-year-old Apple II to counter IBM's entry into the bome computer market. "An Apple II is much easier to use than an IBM persooal computer," he claimed. "I know – I am a former IBM PC owner myself!" he added.

"We will enhance the ease of use features of the Apple II, adding more technology to the product," he said.

Commodore International did not respond to IBM's announcement yesterday.

Romatex cuts payout as earnings contract

BY JIM JONES IN JOHANNESBURG

CONTINUING DIFFICULT trading conditions hampered the performance of Romatex, the major South African textiles and floor coverings company, in the year to September 30. Turnover dropped slightly to R366m ($312m) from R368m, but considerably tighter margins led to a fall in trading income to R32.5m from R50.3m.

The directors say that problems encountered in the first half of the financial year continued to affect operations in the second balf. Recessionary conditions reduced demand and led to de-stocking by customers, while increased imports beightened competition in the textiles market.

The floor coverings operations were affected by similar conditions and the board sees no prospect of an early recovery.

The divideod total bas been cut to 34 cents a share from 56 cents, while earnings per sbare dropped to 68.1 cents from 107.5 cents. Romatex is a 57 per cent-owned subsidiary of C. G. Smith, whicb in turn is 68 per cent-owned by Barlow Rand.

Hong Kong insurance foray by Aetna Life

BY WILLIAM HALL IN NEW YORK

AETNA LIFE and Casualty, the largest investor-owned insurance company in the U.S. is joining forces with the Hong Kong-based Bank of East Asia to market life insurance in the Britisb colony.

Aetna and Bank of East Asia have formed a Bermuda-based partnership, East Asia Aetna Insurance (Bermuda), which will sell insurance products primarily in Hong Kong. Bank of East Asia and Aetna International will equally own the venture which will bave an initial capital of HK$50m ($6.4m). Operations are expected to begin next year.

"Hong Kong has proved to be one of the best markets for life insurance in the Pacific Basin, and we are confident too about Hong Kong's economic growth," said Mr Kenneth Veit, vice president of International insurance at Aetna. The insurance products will be sold througb independent insurance brokers and ageots in Hong Kong and the Bank of East Asia's 45 branch offices.

Oki Electric boosts profits in first half

By Our Tokyo Correspondent

OKI ELECTRIC INDUSTRY lifted pre-tax profits by 24 per cent to Y4.25bn ($18.2m) in the half year to September 30 on sales of Y132.7bn up by 14 per cent. Net profits were 30 per cent higher at Y2bn and net profits per share advanced to Y4.60 from Y3.94.

Sales of electronic communication systems fell by 13 per cent to account for 22 per cent of the total, but data processing equipment sales rose by 21 per cent to account for 55 per cent, helped by strong sales of printers (up 67 per cent) and facsimile machines. With vigorous sales of semiconductors, turnover of electronic parts advanced by 36 per cent to account for 21 per cent of the total.

Saudi shipping group opens Far East route

BY A CORRESPONDENT IN RIYADH

THE NATIONAL Shipping Company of Saudi Arabia (NSCSA) has recently taken delivery of the last of four large roll-on-roll-off (Ro-ro) freighters and will open a Far East route later this year.

The new ship, the Saudi Tabouk, enables NSCSA to move into phase two of its expansion programme. Its goal is to service Saudi Arabia's three main trading partners: Europe, the U.S. and Japan.

The first liner service was established with the U.S. in 1979. The new line will stop at Singapore, Hong Kong, Taiwan, Korea and Japan. The European service is scheduled to begin next year.

The company started shipping with two used 23,000 gross tonnes Ro-ro vessels renamed the Saudi Riyadh and Saudi Makkah. Each ship carries 1,250 standard 20 ft cargo containers.

NSCSA ordered four 42,000 dwt vessels from Kockums of Sweden. The ships were named Saudi Abha, Saudi Hofuf and Saudi Dariyah, after Saudi towns. Each vessel can carry 2,050 containers and over 700 cars.

Even as it opens its eastern route, NSCSA is working to trim its North American sailing time from 17 to 15 or fewer days. Marginal ports such as Halifax, Canada, will either be abandoned or visited less frequently.

The Saudi Tabouk was a modified version of her sister ships. The other vessels carry 12 officers, 19 rated sailors and eight cadets.

Ceat signs technology agreement

By R. C. Murthy in Bombay

CEAT TYRES of India, one of the country's top three tyre companies, has turned to Japan for updating its tyre technology. Ceat bas signed a technical agreement with Yokohama Rubber for assistance in developing radial tyres suitable to Indian road conditions.

Ceat is the first Indian tyre company to move away from Western technology. The company was set up more than 20 years as a subsidiary of Ceat of Switzerland. However, the Swiss company sold its equity stake last year to the Calcutta-based Duncan Group.

Competition among Indian tyre companies is strong, with Dunlop India and the Modi group setting the pace.

INTL. COMPANIES & FINANCE

Nicholas Hirst reports on the dizzy progress of Canada's major stock market

Busy days for Toronto brokers

THE TORONTO stock market has celebrated this year's move to a new trading floor with share prices rising strongly and dealing volume heading for the record books.

When the Toronto Composite index hit its 1983 peak of 2598.2 at the end of September it was a full 30 per cent ahead of the January levels, and very nearly double the levels of July 1982, the low point in the current trading cycle.

At the moment share prices are 9 per cent below their best for the year. Company profits are rapidly improving, but on an historic earnings multiple of around 25, the market has plainly reached the point where a pause for breath is not out of place.

"It's wait and see time," says Mr Bob Dorrance, market strategist with Nesbitt Thomson Bongard, Toronto stock broker.

Essentially the market is waiting to see a sharp increase in corporate earnings. The rise in the market last year was fuelled by expectation that a recovery in the U.S. would, as in the past, act as the driving force to drag the closely-linked and more depressed resources-based Canadian economy out of recession.

Company profits this year could well show a recovery of around 60 per cent from the depressed levels of 1982. And with the mining and energy groups leading the way, they are generally expected to make a further strong progress in 1984.

The Canadian economy grew at 7.5 per cent, quarter on quarter, in the first and second quarters, but it is still 3 per cent below the peak before the recession set in. Corporate profits have been rising, but retained earnings, according to the Royal Bank of Canada, in the second quarter were still lower than in the third quarter of 1979.

"We are not yet in the second stage of a bull market—one which is driven by actual rise in earnings rather than loss elimination," says Mr Subodh Kumar, market strategist with broker Wood Gundy.

The question is: when will loss elimination end and real recovery in earnings take over? On this, analysts are far from agreed, some believing that improved third-quarter earnings will be the spur to get the index moving up again, others that company results will not be strong enough to push the market out of its current range until early 1984.

After gold stocks, which have taken a beating recently, the best performers since the market low of last year have been the metal and mining sectors, closely followed by industrial products and management companies such as Brascan, which are themselves heavily invested in resources industries.

It is these sectors which were hardest hit by the recession and where potential for loss elimination is the greatest. Inco, still at the stage of reducing its losses, has seen its shares rise from a low of C$9 to a high of C$23½ before falling back below C$20. Alcan, whose earnings this year will be depressed but are expected to rise sharply next year have benefited from a rising aluminium price, while Cominco with similarly depressed earnings, has responded to a rise in zinc.

The signs are that investors are becoming more selective: "Clients are now saying, if you want me to buy, tell me what you want me to sell?" says Mr Kumar.

That attitude is a direct reflection of the speed with which the market has risen. In 1983 the Canadian market had been outpaced internationally by Australia and Mexico, but it is still in fourth place over the 15 months since the middle of last year.

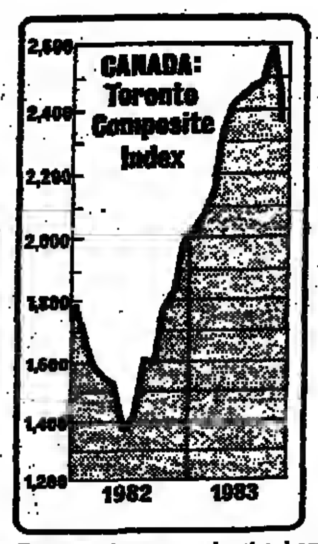
Institutional cash has been run down from an estimated 18½ per cent of portfolio values in June 1982 to 6.3 per cent at the end of the second quarter, while their equity positions have expanded from 32 per cent to 46 per cent. Institutions account for roughly half the market.

In the first nine months of this year the market has seen the issue of between C$5bn (U.S.$4.1bn) and C$6bn (U.S.$4.9bn) of new equity, almost double the previous record notched up in 1981. Some of the biggest issues, such as the C$336m raised by Bell Canada Enterprises, have spread the funding outside Canada. But the impact on the local stock market remains substantial. Shell Canada, for instance, has recently announced a public issue of C$62m, the first time it has tapped Canadian equity for 20 years.

There is growing evidence of a renewed interest in the Canadian market by European and American investors. Canadian stockbrokers have been making successful selling sorties on mining stocks to Europe recently, and American buying of Bell, as a backdoor into its highly successful high-tech subsidiary, Northern Telecom, made Bell one of the strongest performers of the third quarter.

"We believe the international investor will be coming back to Canada in a fairly major way," says Mr John Eidt of Meryll Lynch Canada. In Canada's favour, the Toronto broker says, is a currency which, backed by a strong balance of payments position, and a relatively low and stable inflation, should strengthen against the American dollar.

As the market has risen, investors have oscillated between going for companies that benefit from falling inflation, such as banks, and potential recovery stocks. In the third quarter the metals sector was outpaced, suprisingly perhaps, by utility companies. There were sharp rises by management companies, and the high-tech sector did exceptionally well.



But earnings remain the key. With copper and nickel prices having bounced up and down again, the recovery for companies such as Inco and Noranda may be delayed longer than had originally been hoped.

Most analysts have shaded their corporate earnings forecast for this year and next. But even so estimates of corporate earnings gains start at 40 per cent for next year, which, especially for the non-cyclical Canadian stocks, will reflect real growth.

The Royal Bank of Canada is forecasting gross national product growth of 4.7 per cent next year and, although some other forecasts are lower, most brokers believe that the recovery is sufficiently strong to propel the Toronto index to 3,300 by the end of next year.

Agnelli holding company shows advance

By Our Financial Staff

IFI, the holding company of the Agnelli family which controls the Fiat motor group, posted net profits of L14.8bn ($9.3m) for the year ended June 1983, compared with L12.5bn a year earlier.

The company assembly, approved distribution of an unchanged dividend of L100 to each preferred share and L50 to each Ordinary share at a total cost of L5.85bn.

Sig Gianni Agnelli, chairman of Fiat and IFI, said that stagnation affecting the Italian economy was the result of too much public expenditure and high labour costs.

BASF plans higher spending in Asia

By R. C. Murthy

BASF, one of the big three German chemicals groups, proposes to revise its overseas investment strategy with reduced emphasis on Latin America. The company will invest more in Asia, particularly in South Korea, Indonesia and India, the company says.

Capital expenditure of BASF in 1983 is projected at DM 1.8bn ($684m), about 10 per cent below the 1982 figure. A revival in investment during 1984 is foreseen.

The shift in investment strategy has become necessary following a slowdown in Latin American economies. Brazil, Argentina and Mexico have problems in external debt servicing.

In Brazil, BASF operates 15 plants, with sales of DM 1.2bn.

South Korea is on top of BASF's investment plans for Asia, as it is one of the fast growing markets. Turnover of BASF's South Korean subsidiary are projected to exceed DM 200m this year.

RWE to invest DM 8bn

By Our Financial Staff

RWE, the West German electricity utility, plans investment totalling around DM 8bn ($3.04bn) in connection with pollution regulation.

RWE will spend around DM 5bn on two new 1200 megawatt coal power stations and about DM 3bn on equipping existing coal-fired stations with desulphurisation plants.

The MW 2400 new capacity will replace existing coal-fired plants of around MW 2200 capacity which RWE will close.

The new stations still have to be approved by the North Rhine-Westphalia state government, but RWE said the minister responsible has agreed to speed up application processing.

Earnings boost at West World

By Our Financial Staff

WEST WORLD Holding, the U.S. company which is part of the Wereldhave property group of Holland, reports strong rise in earnings for the first nine months of 1983.

The group, which expects to book good results for the remainder of this year, says net results for the nine months improved by 35 per cent to $11m. Per share earnings rose to $193.5 from $76.

Shipping and steel losses hit Axel Johnson results

BY DAVID BROWN IN STOCKHOLM

AXEL JOHNSON, the group which represents Sweden's third largest trading and industrial empire, reports lower pre-tax results for the first eight months of 1983.

Nordstjernan, one of the main companies in the group, with interests in shipping, special steels and engineering, showed a pre-tax loss of SKr 48m ($6.1m) compared with a loss of SKr 40m at the same time last year, on turnover 6 per cent higher at SKr 7.1bn.

Operating profit climbed from SKr 47m to SKr 111m. Ship sales brought in SKr 2m. Net financial costs, at SKr 190m, slightly lower than last year, brought the result SKr 77m into the red, but the company posted an extraordinary gain of SKr 29m as a result of share transactions. The company predicts its year-end result will be "somewhat better" than the eight-month figures.

A. Johnson, the other large unit in the group, is split between a U.S. and a separate Swedish operation. The Swedish operation, which trades in oil, coal, special steels, metals, chemicals and machinery in more than 30 countries, had operating profits of SKr 119m, compared with SKr 78m.

Its pre-tax profit for the eight months was SKr 8.2m down from SKr 27.4m. Sales were up 45 per cent to SKr 6.7bn with the improvement attributed mainly to oil trading activities.

The U.S. arm, which trades in oil, stainless steel, metals, and engineering products, as well as shipping, had a pre-tax loss of SKr 35m, compared with a profit of SKr 6m, on turnover 60 per cent higher at SKr 4.9bn.

Norway chemicals group taps market for NKr 50m

BY FAY GJESTER IN OSLO

SECURUS, the Norwegian chemicals group created recently, has raised NKr 50m ($6.7m) through a private placing of 250,000 shares, at NKr 200 each.

Many were bought by UK institutional investors. The new company will be listed on the Oslo bourse from tomorrow.

The issue brings Securus total capital to NKr 11.5m. The company, itself a subsidiary of Securus Industria, holds a stake of about 72 per cent in Protan, a fast-growing Norwegian company which claims to be the world's second largest individual producer of alginates.

These are chemicals, derived from seaweed and kelp, which are widely used in a number of industries, particularly food and pharmaceuticals. Protan's share of the world market is 18 per cent. Protan also makes other seaweed and kelp products, and plastics.

With the help of the fresh capital, Securus stands to expand its activities into new markets and new product areas, following up the investment of Protan. The latter achieved first half 1983 sales of NKr 129.1m, compared with NKr 205.7m for the 12 months of 1982.

● Elektrisk Bureau (EB), the Norwegian producer of electronic and telecommunications equipment, maintained just about unchanged profits in January-August this year, despite a 32 per cent rise in operating income to NKr 1,318m, compared with the first eight months of 1982.

Profits before extraordinary items were NKr 57m, against NKr 51m, but for the year as a whole are expected to reach NKr 141m—NKr 5m more than last year.

Dutch insurers take out new life policy

BY WALTER ELLIS IN AMSTERDAM

NEXT MONTH sees the birth of an important new force on the world insurance market. On December 1, Ennia and AGO Holding, already two of the largest Dutch insurance groups, begin trading as a single entity under the new name, Aegon.

Joint operating profits this year are expected to exceed Fl 8bn ($2.7bn), making Aegon not only No. 2 in the Netherlands to Nationale Nederlanden but putting the group among the top 15 insurers in Western Europe.

The official reason for the merger is that the companies wanted to "strengthen our position in the Dutch insurance market through closer and more extensive collaboration with professional insurance agents."

"The increase in scale of operations is a response to the already apparent trend among independent agents to concentrate their business with a limited number of large companies." Ennia and AGO now expect that their Dutch strategy will lead to improved penetration of the insurance agent business, resulting in greater market share for Aegon.

What is perhaps surprising here is the emphasis placed on Dutch domestic business. In recent years, the bigger Dutch insurers have been trumpet-blowing about their rapid expansion abroad. Now, it seems, there is a need to make certain that all is well in the backyard.

But if the home scene is no longer taken for granted, Aegon remains careful to point out that the merger provides "a broader base for international expansion." The two merged companies have well-distributed foreign activities with substantial interests in the U.S., Canada, the UK, Spain, and Belgium. They also have representatives in the Caribbean, the Middle East, and Switzerland, and an interest in Singapore.

From a technical standpoint, the merger leaves AGO shareholders controlling around 45 per cent of the merged group's equity capital of close to Fl 450m. The Aegon foundation will be the sole shareholder in AGO Holding and will control a majority of the votes while Aegon NV will embrace all Ennia and AGO interests at home and abroad.

NORTH AMERICAN QUARTERLY RESULTS

AMF

Third quarter	1983 $	1982 $
Revenue	243.77m	262.39m
Net profits	0.14m	3.83m
Net per share	0.01	0.16

BURLINGTON INDUSTRIES

Fourth quarter	1982-83 $	1981-82 $
Revenue	798.8m	677m
Net profits	32.94m	8.01m
Net per share	1.15	0.28
Year		
Revenue	2.95bn	2.88bn
Net profits	85.49m	62.49m
Net per share	3.18	1.88

CLARK EQUIPMENT

Third quarter	1983 $	1982 $
Revenue	211.3m	213.7m
Net profits	3.5m	†168.44m
Net per share	0.24	†12.80
Nine months		
Revenue	622.5m	803.7m
Net profits	4.01m	†163.81
Net per share	0.28	†12.86

† Loss

R. R. DONNELLEY & SONS

Third quarter	1983 $	1982 $
Revenue	411.4m	381m
Net profits	33.71m	26.43m
Net per share	0.88	0.77
Nine months		
Revenue	1.10bn	1.02bn
Net profits	79.85m	61.06m
Net per share	2.09	1.61

DOMTAR

Third quarter	1983 $	1982 $
Revenue	480.7m	411.3m
Profits	16.6m	†0.9m
Per share	0.90	†0.05
Nine months		
Revenue	1.34bn	1.27bn
Profits	24.5m	15.5m
Per share	1.32	0.74

† Loss

GENERAL PUBLIC UTILITIES

Third quarter	1983 $	1982 $
Revenue	545.5m	600m
Net profits	25.9m	15m
Net per share	0.42	0.24
Nine months		
Revenue	1.87bn	1.8bn
Profits	45m	32.1m
Per share	0.74	0.53

INTERNATIONAL FLAVORS

Third quarter	1983 $	1982 $
Revenue	115.8m	110.6m
Net profits	17.5m	15.83m
Net per share	0.47	0.44
Nine months		
Revenue	363.4m	362.7m
Net profits	55.84m	53.82m
Net per share	1.55	1.47

KERR-McGEE

Third quarter	1983 $	1982 $
Revenue	890m	913m
Net profits	38.7m	58.8m
Net per share	0.75	1.08
Nine months		
Revenue	2.58bn	2.78bn
Net profits	101.3m	136.2m
Net per share	1.91	2.59

MASCO

Third quarter	1983 $	1982 $
Revenue	250m	204m
Net profits	29.5m	23.3m
Net per share	0.53	0.45
Nine months		
Revenue	700m	637m
Net profits	76.8m	71.1m
Net per share	1.40	1.38

PENNZOIL

Third quarter	1983 $	1982 $
Revenue	557.2m	563.5m
Net profits	36.02m	53.5m
Net per share	0.68	1.08
Nine months		
Revenue	1.71bn	1.74bn
Net profits	109.58m	138.22m
Net per share	2.01	2.64

PHOENIX STEEL

Third quarter	1983 $	1982 $
Revenue	25.7m	22.5m
Net profits	†6.10m	†10.02m
Net per share	†0.71	†1.13
Nine months		
Revenue	83.8m	121.4m
Net profits	†18.58m	†6.70m
Net per share	†2.15	†0.85

† Loss

REPUBLIC AIRLINES

Third quarter	1983 $	1982 $
Revenue	382.9m	397.2m
Net profits	†12.2m	†5.8m
Net per share	†0.44	†0.31
Nine months		
Revenue	1.13bn	1.18bn
Net profits	†115.1m	†12.5m
Net per share	†4.81	†0.68

† Loss

ST PAUL COMPANIES

Third quarter	1983 $	1982 $
Revenue	580.8m	554.3m
Net profits	14.58m	52.21m
Net per share	0.68	2.44
Nine months		
Revenue	1.71bn	1.59bn
Net profits	122.11m	125.87m
Net per share	5.71	5.95

SUPERIOR OIL

Third quarter	1983 $	1982 $
Revenue	488.7m	489.2m
Net profits	117.6m	38.1m
Net per share	0.92	0.30
Nine months		
Revenue	1.35bn	1.54bn
Net profits	178m	189.4m
Net per share	1.40	1.57

TEXAS EASTERN

Third quarter	1983 $	1982 $
Revenue	1.3bn	1.32bn
Net profits	56.08m	43.2m
Net per share	2.16	1.68
Nine months		
Revenue	5.52bn	5.35bn
Net profits	138.09m	206.09m
Net per share	5.33	8.12

TEXAS UTILITIES

Third quarter	1983 $	1982 $
Revenue	1.14bn	1.08bn
Net profits	186.07bn	174.86m
Net per share	1.58	1.55
Nine months		
Revenue	3.36bn	3.18bn
Net profits	437.27m	417.75m
Net per share	3.77	3.83

TIMES-MIRROR

Third quarter	1983 $	1982 $
Revenue	617.8m	559.2m
Net profits	45.3m	32.8m
Net per share	1.32	0.96
Nine months		
Revenue	1.8bn	1.61bn
Net profits	117.8m	86.1m
Net per share	3.43	2.52

TIMKEN

Third quarter	1983 $	1982 $
Revenue	226.1m	211.2m
Net profits	†6.12m	†13.2m
Net per share	†0.54	†1.18
Nine months		
Revenue	665.3m	629.3m
Net profits	†5.15m	11.5m
Net per share	†0.46	1.02

† Loss

VIACOM INTERNATIONAL

Third quarter	1983 $	1982 $
Revenue	78.7m	70.8m
Net profits	4.3m	6.92m
Net per share	0.32	0.54
Nine months		
Revenue	242.8m	204.1m
Net profits	13.3m	18m
Net per share	0.99	1.39

VARIAN ASSOCIATES

Third quarter	1983 $	1982 $
Revenue	213.9m	179.5m
Net profits	14.1m	9.6m
Net per share	0.64	0.50
Nine months		
Revenue	700.3m	591.2m
Net profits	44.9m	26.5m
Net per share	2.14	1.47

Paul Taylor looks at one U.S. bank's foreign loan philosophy

Lincoln First cuts through troubles

AN ELDERLY shareholder stood up at Lincoln First Banks' annual meeting earlier this year and asked: "Has the bank loaned any money to foreign nations like Mexico or Cambodia?"

For Lincoln First, a multi-bank holding company formed in 1967, serving 77 local communities in upper New York State with headquarters on Main Street, Rochester, the answer was "Yes" to Mexico, Argentina, Brazil and Venezuela—but "No" in Cambodia.

That the question should be asked at all, is indicative of the mood among the shareholders in the 14,000 smaller banks scattered across the U.S. Five years ago when First Lincoln had just $46m in foreign loans outstanding, the question would probably not have been raised in Rochester — or anywhere else.

But the debt crisis has changed all that. Like a handful of other regional and smaller banks, Lincoln First has boosted its foreign exposure dramatically in the past five years. At the end of last year the bank's foreign loan exposure stood at $270m, or 11.5 per cent of its total $2.35bn loan portfolio.

What is more, a sizeable chunk of Lincoln First's exposure abroad is in troubled, less developed countries. Of its $338m overall foreign exposure at mid-year $135m was to Argentina, Brazil and Mexico. That may be small in comparison with the New York City money centre banks, but it still represents over 60 per cent of Lincoln First's shareholders' equity.

Lincoln First, unlike some other regional banks, is not abandoning the international arena, but lending, particularly to Latin America, has been slowed.

"It is basically on hold," says Mr William Balderston, president and chief operating officer of Lincoln First, which had $3.5bn in assets at the end of last year and net earnings in 1982 of $17.95m, representing an 11 per cent return on equity.

The reason Lincoln First still places faith in its deliberate and cautious international strategy is not difficult to find. As the same shareholder discovered with his next question, Lincoln First is one of the few U.S. banks which—so far—has no non-performing loans to Latin America, and virtually no foreign credit losses.

This results in the main from the bank's zealous preoccupation with keeping maturities short and avoiding the private sector. At mid-year only 3 per cent, or $25m, of the bank's overall international exposure was to the private sector.

It is also indicative of how and why an upstate New York bank, with headquarters in a town where Eastman Kodak is the main local employer, and which is closer to Toronto and Ottawa than to New York, became involved in international banking at all. According to Mr Balderston, there were several major reasons why Lincoln First entered the international banking business 10 years ago.

The main reason—and the one that still dominates Lincoln Firsts' thinking—is that the bank found that it needed to build up an international network to service its local business customers. But there was a secondary reason. Lincoln First, like many other banks in the late 70s when the real international expansion came, also found it suddenly had an flood of interest rate sensitive deposits to place.

Over the two years to December 1981, Lincoln First's foreign lending quadrupled, from $51m to $209.5m. Its single loan capacity also grew. Initially, Lincoln First would take a $5m loan participation and parcel out $3m of it—today the house limit is about $20m, though the largest loans are between $10m and $15m.

In 1971, Mr Balderston recruited Mr Sam Hilbert, a former Hambros Bank and Chemical Bank credit manager. "My mission was to organise and structure a plan and the actual vehicle to provide international banking services," says Mr Hilbert. A year later, in December 1972, the bank opened an international branch on Wall Street with nine employees. To start with the branch concentrated on the basics of international banking, like trade credits, letters of credit and collection services. To build up overseas banking contacts the bank bought loan participations.

Today the bank maintains correspondent relationships with about 150 banks overseas and has foreign currency accounts with 34 banks in 17 countries. The international staff has grown to 60, including 13 upstate at the bank's five major divisions in Rochester, White Plains, Syracuse, Binghampton and Jamestown, who continue to stress the "domestic driven" nature of Lincoln's First international operations.

Lincoln First also established an international advisory council composed of senior local corporate executives—men like Mr Colby Chandler, chairman and chief executive of Kodak.

The seven-man council reviews country lending limits and the bank's business strategy in 45 countries.

Mr Balderston claims that as a result of the council's discussions, the debt crisis, when it arrived, "was no great surprise," to the bank's officers or the board.

"We have a guy travelling in South America and a guy travelling the Far East and Sam Hilbert does Scandinavia and Europe," says Mr Balderston. Without the money centre bank kind of account coverage, we cannot possibly expect to get into private risk and loans" as they do, "so we restrict extension of credit to the areas that are related to trade and to the areas that are of the thinnest margin gilt-edged. From that point of view we know what we are doing."

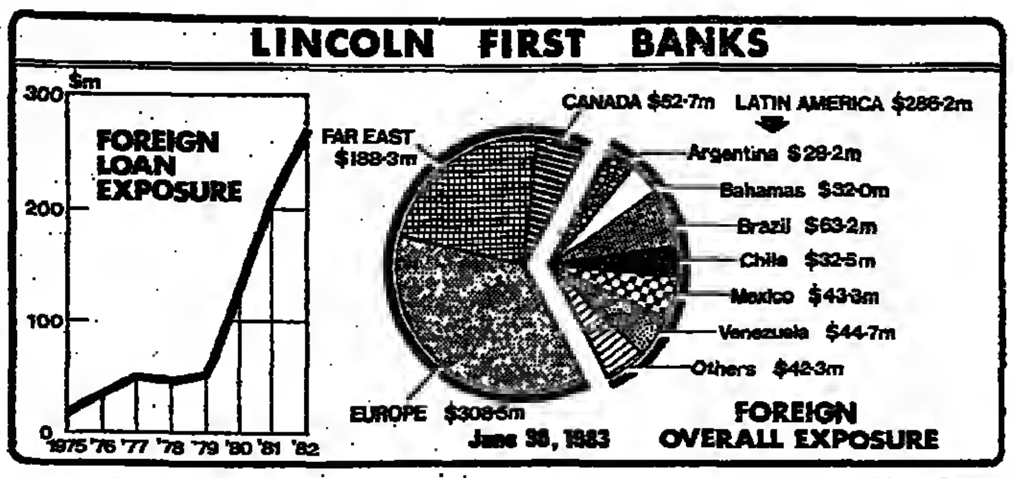
The existence of the Lincoln First man in Latin America is another reason why the bank has not tried to get out of international lending since the less-developed-countries crisis.

Although the bank says some of its Latin American short-term loans are "well below the limits at the end of 1982," Mr Balderston adds: "We have working relationships" with Brazil, Argentina and Mexico," relationships which Lincoln First is loath to throw away.

The bottom line is that Lincoln First believes these relationships will begin to pay off at some stage in the future. In the meantime, it is playing its part in the reschedulings, having been directly involved with those for Mexico and Argentina and indirectly in Brazil's Phase-1 and -2 packages.

But while the bank is continuing to expand its business selectively overseas, particularly in Europe and the Far East, the pace has slowed dramatically in Latin America, and syndicated loans, which before the LDC debt crisis might have been looked at, are now being turned away.

Ultimately, however, Lincoln First believes it must be active internationally if it is to maintain and expand its local business customer base among small to medium sized companies in its regional niche and to defend its territory from the unwanted attentions of rivals in Chicago and New York.



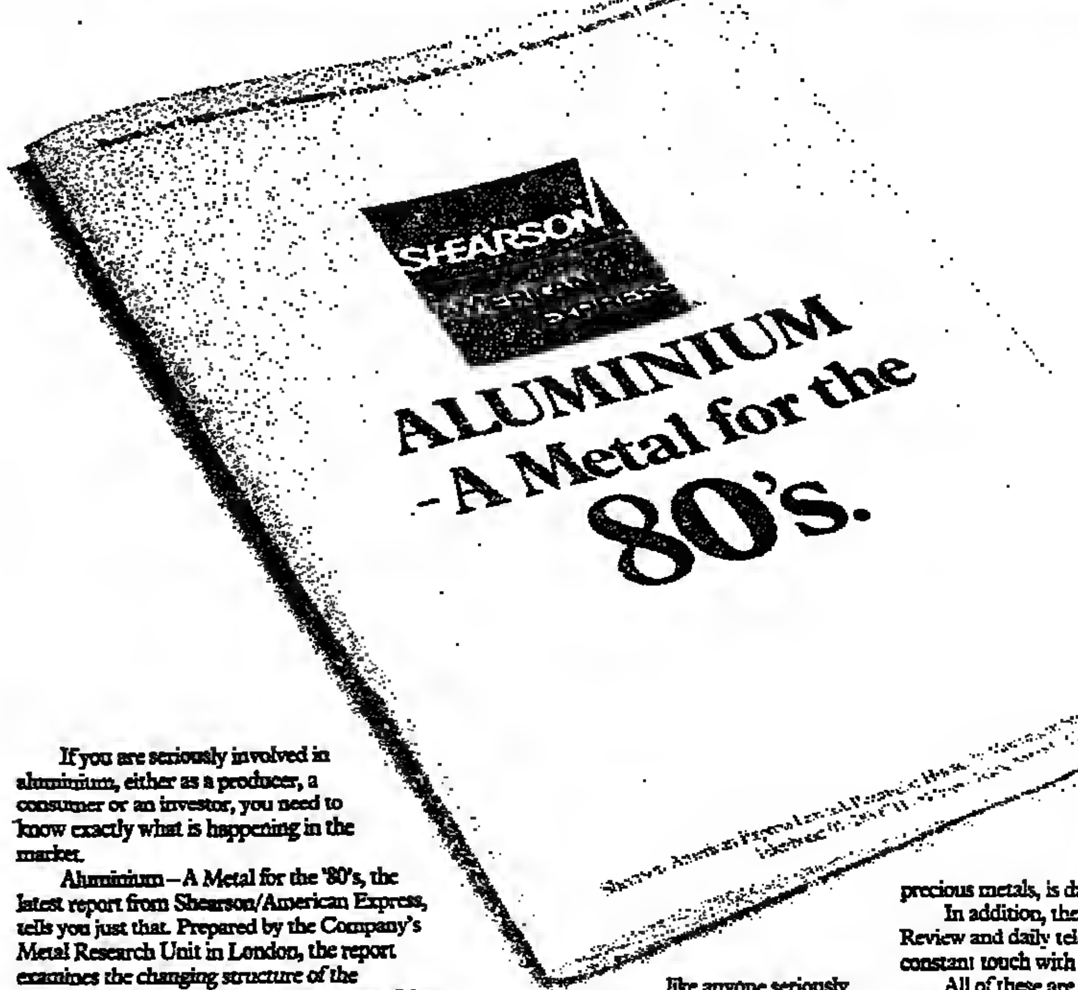
WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 31 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghan	99.00
Albania	Lek	10.08
Algeria	Dinar	(A) 7.2238
Andorra	French Franc	11.975
	Spanish Peseta	227.40
Angola	Kwanza	(CM) 45.4115
Antigua	E. Caribbean $	4.04
Argentina	New Peso	23.41
Australia	Australian $	1.6340
Austria	Schilling	27.555
Azores	Portugu'se Escudo	187.25
Bahamas	Ba. Dollar	1.4955
Bahrain	Dinar	0.563
Balearic Isles	Spa. Peseta	227.40
Bangladesh	Taka	37.10
Barbados	Barbados $	2.991
Belgium	B. Franc	(cm) 79.95 / (fn) 81.00
Belize	B $	2.991
Benin	C.F.A. Franc	598.75
Bermuda	Bda $	1.4955
Bhutan	Indian Rupee	15.30
Bolivia	Bolivian Peso	(O) 299.1
Botswana	Pula	1.6660
Brazil	Cruzeiro ‡‡	1,225.5
Brit. Virgin Isles	U.S. $	1.4955
Brunei	Brunei $	3.19
Bulgaria	Lev	N.A
Burma	Kyat	19.04
Burundi	Burundi Franc	134
Cameroon	C.F.A. Franc	598.75
Canada	Canadian $	1.8435
Canary Islands	Spanish Peseta	227.60
Cape Verde Is.	Cape V. Escudo	108.68
Cayman Islands	Cay. Is. $	1.2462
Cent. Afr. Republic	C.F.A. Franc	598.75
Chad	C.F.A. Franc	598.75
Chile	Chilean Peso	125.39
China	Renminbi Yuan	2.9476
Colombia	Col. Peso	(F) 126.39
Comoro Islands	C.F.A. Franc	598.75
Congo (Brazaville)	C.F.A. Franc	598.75
Costa Rica	Colon	(O) 62.06 / (F) 63.35
Cuba	Cuban Peso	1.3017
Cyprus	Cyprus £	0.805
Czechoslovakia	Koruna	(com) 9.80 / nc 17.06 / (T) 15.45
Denmark	Danish Kroner	14.195
Djibouti	Djibouti Franc	255 (sg)
Dominica	E. Caribbean $	4.04
Dominican Repub	Dominican Peso	(O) 1.4955 / (7) 2.3599
Ecuador	Sucre	(O) 76.20 / (F) 121.31
Egypt	Egyptian £	(U) 1.2410
Equatorial Guinea	Ekuele	454.8
Ethiopia	Ethiopian Birr	(P) 3.06
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Kroner	14.185
Fiji Islands	Fiji $	1.6375
Finland	Markka	8.4708
France	French Franc	11.925
French C'tyIn Af.	C.F.A. Franc	598.75
French Guiana	Local Franc	11.975
French Pacific Is.	C.F.P. Franc	210 (sg)
Gabon	C.F.A. Franc	598.75
Gambia	Dalasi	4.00
Germany (East)	Ostmark	3.935
Germany (West)	Deutsche Mark	3.935
Ghana	Cedi	44.955
Gibraltar	Gibraltar £	1.0
Greece	Drachma	140.45
Greenland	Danish Kroner	14.185
Grenada	E. Caribbean $	4.04
Guadaloupe	Local Franc	11.975
Guam	U.S. $	1.4955
Guatemala	Quetzal	1.4955
Guinea	Syli	34.70
Guinea-Bissau	Peso	61.97
Guyana	Guyanese $	4.4790
Haiti	Gourde	7.4775
Honduras	Lempira	3.00
Hong Kong	H.K. $	11.6675
Hungary	Forint	66.54‡‡
Iceland	I. Krona	41.70
India	Ind. Rupee	15.50
Indonesia	Rupiah	1,471.5
Iran	Rial	129.15 (sg)
Iraq	Iraqi Dinar	0.46319
Irish Republic	Irish £	1.2545
Israel	Shekel	126.0
Italy	Lira	2,390
Ivory Coast	C.F.A. Franc	598.75
Jamaica	Jamaican Dollar	(O) 2.6670 / (F) 4.1
Japan	Yen	350.0
Jordan	Jordanian Dinar	0.549
Kampuchea	Riel	1,794.6
Kenya	Kenya Shilling	20.10
Kiribati	Australian $	1.6340
Korea (Nth)	Won	1.3855 (ll)
Korea (Sth)	Won	1,184.8
Kuwait	Kuwaiti Dinar	0.43625
Laos	New Kip	19.6415
Lebanon	Lebanese £	7.7511
Lesotho	Maluti	1.7482
Liberia	Liberian $	1.4955
Libya	Libyan Dinar	0.4427
Liechtenstein	Swiss Franc	3.1775
Luxembourg	Lux Franc	79.95
Macao	Pataca	19.12
Madeira	Portug'se Escudo	187.95
Malagasy Republic	MG Franc	632.90
Malawi	Kwacha	1.90
Malaysia	Ringgit	3.5075
Maldive Islands	Rufiyaa	11.29
Mali Republic	Mali Franc	1,197.5
Malta	Maltese £	0.6510
Martinique	Local Franc	11.975
Mauritania	Ouguiya	80.66
Mauritius	M. Rupee	18.22
Mexico	Mexican Peso	(F) 224.10 / 202.22
Miquelon	Local Franc	11.975
Monaco	French Franc	11.975
Mongolia	Tugrik	4.77 (ll)
Montserrat	E. Caribbean $	4.04
Morocco	Dirham	11.35 (sg)
Mozambique	Metical	(A) 61.1039
Namibia	S.A. Rand	1.7482
Nauru	Australian Dollar	1.6340
Nepal	Nepalese Rupee	21.38
Netherlands	Guilder	4.41
Netherland Antilles	Antillian Guilder	2.6759
New Zealand	N.Z. Dollar	2.357
Nicaragua	Cordoba	14.94
Niger Republic	C.F.A. Franc	598.75
Nigeria	Naira	1.1396 (sg)
Norway	Norwegian Krone	11.045
Oman Sul'ate of	Rial Omani	0.516
Pakistan	Pakistan Rupee	19.50
Panama	Balboa	1.4955
Papua N. Guinea	Kina	1.2698
Paraguay	Guarani	(O) 188.24 / (F) 239.04
Peru	Sol	exc (A) 3,218
Philippines	Philippine Peso	20.65
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.257
Poland	Zloty	144.07
Portugal	Portugu'se Escudo	187.95
Puerto Rico	U.S. $	1.4955
Qatar	Qatari Ryal	5.4345
Reunion Island	French Franc	11.975
Romania	Leu	(Cm) 5.84 / (N/C) 20.56
Rwanda	Rwanda Franc	145.21
St. Christopher	E. Caribbean $	4.04
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.04
St. Pierre	Local Franc	11.975
St. Vincent	E. Caribbean $	4.04
Salvador El	Colon	3.74
Samoa American	U.S. $	1.4955
San Marino	Italian Lira	2,378.5
Sao Tome & Prin	Dobra	58.33
Saudi Arabia	Saudi Ryal	5.1995
Senegal	C.F.A. Franc	598.75
Seychelles	S. Rupee	10.17 (sg)
Sierra Leone	Leone	(O) 3.75
Singapore	Singapore $	3.19
Solomon Islands	Solomon Is. $	1.7715
Somali Republic	Somali Shilling	23.24
South Africa	Rand	1.7482
Spain	Peseta	227.40
Spanish ports in North Africa	Peseta	227.40
Sri Lanka	S. L. Rupee	35.40
Sudan Republic	Sudan £ (u)	1.967
Surinam	S. Guilder	2.5759
Swaziland	Lilangeni	1.7482
Sweden	S. Krona	11.695
Switzerland	Swiss Franc	3.2382
Syria	Syrian £	(A) (T) 10.00 / (CM) 6.20
Taiwan	New Taiwan $	60.04
Tanzania	Tan. Shilling	18.22 (sg)
Thailand	Baht	34.95
Togo Republic	C.F.A. Franc	598.75
Tonga Islands	Pa'anga	1.6340
Trinidad	Trinidad & Tob. $	3.589
Tunisia	Tunisian Dinar	1.023 (sg)
Turkey	Turkish Lira	373.38
Turks & Caicos	U.S. $	1.4955
Tuvalu	Australian $	1.6340
Uganda	Uganda Shilling	(1) 281.70 / (2) 462.0 (3)
United States	U.S. Dollar	1.4955
Uruguay	Uruguay Peso	55.75
Utd. Arab Emirates	U.A.E. Dirham	5.4857
U.S.S.R.	Rouble	1.1427
Upper Volta	C.F.A. Franc	598.75
Vanuatu	Vatu	146.10
Vatican	Italian Lira	2,390
Venezuela	Bolivar	(4) 7.72 / (5) 14.90 / (6) 11.67
Vietnam	Dong	(O) 9.2502 / (T) 10.91 (ll)
Virgin Island U.S.	U.S. Dollar	1.4155
Western Samoa	Samoan Tala	(A) 2.3926
Yemen (Nth)	Ryal	6.77
Yemen (Sth)	S. Yemen Dinar	(A) 0.5164
Yugoslavia	New Y Dinar	174.4496
Zaire Republic	Zaire	45.495
Zambia	Kwacha	1.95
Zimbabwe	Zimbabwe $	1.5865

* Rate is the transfer market (controlled). ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate.



UK growth pushes Reed up to £39m

WITH THE main growth in profit arising in the UK, despite a lack of buoyancy in nearly all markets, second quarter profits of paper, printing, publishing group Reed International virtually doubled from £9.7m to £18.8m and lifted the figure for the six months ended October 2 1983 to £39.2m, compared with £26.1m.

First half earnings per £1 share were well up at 22.3p (12.8p) and partly to reduce disparity the interim dividend is increased to 5p (4p)—last year's final distribution was 10p and the taxable surplus amounted to £60.9m (£71.6m).

Brands and publication titles include Crown (paints and wallcoverings), Polycell (DIY products), and the Mirror Group Newspapers. As reported on October 13 the directors intend to realise the whole of the company's investment in Mirror during the first half of 1984.

Second quarter group turnover advanced from £429.5m to £483.8m and pushed the six months' figure to just under the £1bn mark at £979.8m (£865.5m). The contribution from the UK side and exports totalled £719.4m, against £652.8m, the overseas sector the remainder.

Reed Publishing benefited from acquisitions, notably Industrial and Trade Fairs and the Update Group. Consumer publishing also gained following the disposal in December 1982 of Odhams (Watford). With major rationalisation completed, the decorative products sector returned to a small profit after several years of heavy losses.

Building products division continued to perform well in high competitive markets, directors state.

Overseas profits reflect improved North American results from publishing and the elimination of losses in decorative products. The directors explain that these gains were largely offset by reduced profits at the Quebec mill where North American newsprint prices have only recently been restored to the levels ruling before August 1982.

During the half year, Fischer Medical Inc. (publishing) and Roman Adhesives Inc. (DIY products) in the U.S., were acquired for some £9m.

There was an associate's share of losses of £0.4m (£1.1m profits) for the six months making the operating profit £49.3m, compared with £34.2m. The overseas side went ahead from £11.1m to £13.2m, but the UK sector jumped by £13m to £36.1m.

Profits were after interest charges, up from £8.1m to £10.1m, and were subject to tax of £12.8m (£10.8m)—the UK figure was £9.3m (£7.2m).

Minority interests took £0.1m last time and after preference payments of £0.1m (same), the attributable balance came through at £26.3m, compared with £15.1m. Some £1.5m (£4.5m) was charged for minor rationalisation costs.

On a CCA basis the pre-tax figure is reduced to £23.5m (£10m) and earnings per share 9p (0.8p loss).

See Lex

HIGHLIGHTS

Lex briefly comments on the state of the gold price before turning to the corporate sector where **Reed International** reported its half year figures yesterday showing pre-tax profits up from £26.1m to £39.2m. **Bowater** is negotiating to sell one of its two Canadian newsprint mills together with 4½m acres of trees which will remove losses of perhaps $12m this year but result in a book loss. Finally Lex looks at the latest figures from **Nissan**, Japan's second largest car manufacturer. The group reported a fall of a third in the six months to September at parent company level and is expecting full year profits to be well down due to higher marketing costs and the absence of exchange gains.

Signs of increased activity at Martonair

SECOND-HALF pre-tax profits at Martonair International improved from £2.34m to £2.44m, and figures for the full year to July 31 1983 were up from £4.15m to £4.27m.

The directors of this manufacturer of pneumatic control equipment say that although the company has not yet experienced any significant increase in demand, there are signs of increased activity in some of the company's more important markets.

They expect this to be reflected in the second half of the current financial year. The net final dividend is raised from 6.05p to 6.55p for an increased total of 8.5p (8p).

Group turnover for the year under review rose from £39.44m to £41.69m.

After tax of £1.76m (£1.96m), attributable profits were £2.5m against £2.2m. Earnings per 20p share were 2p higher at 19p.

● **comment**

Martonair has over a quarter of the UK market in pneumatic control equipment. In continuing dull trading conditions, it has managed to add a couple of percentage points to its share but lost a similar amount overseas, thus attributing the increase in profits to a price increase of around 9 per cent rather than a noticeable improvement in volume. With a relatively short order book of around six weeks it cannot look too far ahead, but is mildly encouraged by increased market activity which is expected to filter through to Martonair's bottom line by the end of the current financial year. Exchange fluctuations have swung back in Martonair's favour to the tune of a modest £150,000. The UK, Germany and Denmark look the most promising areas while France is still struggling with margins against its nationalised competition. A static first half is expected followed by an improvement in the second half to around £4.7m pre-tax which puts the shares up 4p to 236p on an actual 41 per cent tax charge p/e of around 11.

Clement Clarke prospects looking 'more promising'

FIRST HALF 1983 taxable profits of dispensing optician, Clement Clarke (Holdings) increased from £714,000 to £831,000, on turnover of £8.22m, against £7.37m. On present trends, second-half results look more promising, the directors say.

The optical retail sector shows increased demand and instrument sales continue to advance. The U.S. subsidiary has been relocated in a new factory, thus enabling management to fully implement its plans for projected growth. Final results are expected to confirm their usual steady growth.

After tax of £382,000 (£299,000) net profits were ahead from £415,000 to £449,000. Earnings per 25p share rose from an adjusted 5.19p to 5.61p and the net interim dividend is effectively increased to 1.3125p (adjusted 1.15p)—last year's total payment was equivalent to 3.5p on £2.79m pre-tax profits.

The retail optical sector continued to reflect a lower than normal demand, with modest sales increases. The recently agreed increase in NHS fees has gone some way to mitigate the shortfall in profitability.

Further arrears of fees relating to previous years have now been received amounting to approximately £400,000. These arrears have not been included in the interim statement, but the full amount will be included in

Stothert & Pitt returns to profits at £303,000

A RETURN to profits, before tax, has been shown by Stothert & Pitt for the year to the end of June 1983, which is in line with expectations last March that further progress would be made in the second half. The directors expect more progress to be made in the coming year.

In the second half profits were £499,000, which left the year's result at £303,000 compared with losses of £263,000. The directors say the result was achieved against continued depression in most of the company's market sectors, at home and abroad. The results are also evidence of further progress made in improving operating efficiences.

The need to reduce borrowings remains a high priority, say the directors, and they do not believe that payment of an ordinary dividend is appropriate. The last payment was a single dividend of 1p in 1980.

Earnings per £1 share of this engineer emerged at 9.7p against losses of 11.2p.

Turnover slipped from £28.08m to £27.14m.

Borrowings and interest charges for the period were further reduced by the receipt of an overdue £1.5m from overseas. There were no major disposals.

While the general trading outlook remains depressed, the directors say that prospects for the company's offshore crane business are encouraging.

Full SE listing for A & G Security

SECOND-HALF pre-tax profits of A & G Security Electronics increased from £327,000 to £401,000 and left the figures for the year ended July 31 1983 ahead at £747,000, against £566,000. Turnover advanced from £1.53m to £2.47m.

Directors say that in view of the significant growth since this electronic burglar alarm equipment maker came to the USM, application is currently being made for admission to the Stock Exchange Official List.

After a much lower tax charge of £72,000 (£305,000) earnings per 5p share expanded from 5.27p to 13.03p. Net assets have jumped by 33.4p to 46.7p.

The dividend is lifted to 2p (1.75p) net with a final payment of 1.175p. A one-for-one scrip issue is also proposed.

The directors say that an expansion in production capacity was necessary, because of internal growth and the acquisition of Carters of Burnley—from Burco Dean last June for £1.4m.

As a result, freehold premises were purchased in Burnley to provide 17,000 sq ft of additional manufacturing, storage and office accommodation.

As an aid to productivity, A & G will continue to increase the level of automation involved in the production process.

Acquisitions continue to provide opportunities for growth, the directors state, and are being actively sought. The board expects further growth.

After expenses of £418,000, against £236,000, and exceptional costs, £52,000 (nil), operating profits amounted to £881,000 (£509,000). Pre-tax figure for the 12 months included interest received and similar income of £65,000 (£57,000).

● **comment**

Mr McNamara wants to be leader in the band of electrical security equipment manufacturers. Getting A and G on the USM two years ago gave him highly rated paper to chase acquisitions and his appetite for deals is unlikely to wane when he moves the company up to the full market early next year. In the past six months he has bought Carters and Codeg and within a few days he will be making another acquisition, this time a company driven into the hands of the receiver by an ambitious R and D programme. Acquisitions aside the original business is rolling up impressive profits growth. After exceptional costs Carter has made little impact on these profits though below the line its £½m of tax losses, which A and G will spread over five years, has boasted earnings. So the 159 per cent profits jump is virtually on a comparable basis and there appears to be no slowdown. In the first quarter sales have hit £1m against £350,000. Even allowing for the new companies the traditional A and G operation has roughly doubled its turnover—and this is the seasonally weak first half. Clearly the historic p/e of 20 at 260p drops substantially on a forward view. Given the rapid growth that the whole industry is enjoying the shares can only be labelled as attractive.

Flight Refuelling ahead and on course for £5m

EXCLUDING results of recently-acquired Huntleigh and the Hymatic group, Flight Refuelling (Holdings) has pushed taxable profits up from £1.62m to £2.52m for the first six months of 1983, and is on course to achieve, for the full year, the "not less than £5m" forecast at the time of the Huntleigh offer.

Business prospects for the group remain favourable and directors say that the outlook for 1984 is good. They also believe that the Hymatic companies will achieve their forecast of £2.3m.

First-half earnings per 25p share were 5.3p (3.88p) and the interim dividend is effectively raised to 0.9p (0.75p) net. Directors have forecast a 2.5p total distribution, compared with an adjusted 2.01p paid from pre-tax profits of £3.75m.

Turnover of this manufacturer of specialised equipment for the aircraft energy and electronics industries, for the six months moved ahead by 15 per cent to £14.6m (£12.71m) and trading profits expanded from £1.85m to £2.57m, a 39 per cent advance.

Associate's share added £4,000 (£3,000) and the pre-tax figure was after a £55,000 (£37,000) provision for the share incentive scheme.

Tax charge took £760,000, against £531,000 leaving a net surplus up from £1.29m to £1.76m.

● **comment**

Flight Refuelling has taken a demanding growth path through the difficult aerospace sector. It appears to have taken Hymatic on board without interrupting its smooth progress and, assuming a four month contribution of around £800,000 from Hymatic, the group should make £5.5m pre-tax for the full year. The two businesses dovetail well. The JP233 airfield attack system project is under production, to be followed by a major Tornado fuel tank project, while Hymatic's stored energy business holds excellent prospects. With order books yet to reach optimum levels, Flight Refuelling has meanwhile managed to boost margins from 14 per cent to 17 per cent. On a tax charge of around 30 per cent the prospective PE is a demanding 19 for the shares which closed up 14p at 207p: but it's a rating which, generally, analysts feel it deserves.

Fasteners loss hits Prestwich

A £152,688 loss at Prestwich Parker Holdings' volume nut and bolt manufacturing subsidiary wiped out profits from other divisions and, overall the group finished the year £6,506 in the red at the pre-tax level against a £14,786 profit.

Further, a £250,000 provision for planned remedial action at the subsidiary Prestwich Parker (Fasteners) was mainly responsible for a four fold increase in the group's attributable deficit from £55,740 to £233,722.

"It would not be in the interests of either shareholders or employees to allow this situation to continue," the directors say.

They add: "A detailed review is being carried out to determine the exact scope of remedial action required."

An announcement concerning the future of the subsidiary is expected on Thursday following a meeting between the Prestwich board and the workforce.

Since the year end, two key acquisitions have been made by the Scottish subsidiary, Potter Cowan, a distributor of a range of engineering products, protective clothing, safety related products and industrial rubber hose.

The company also acquired the assets of Waugh of Hamilton, in September. It distributes protective clothing and leisurewear which complements and extends the range of Potter Cowan's Glasgow operation.

In August, Pemberton Fasteners was acquired from the receiver and has been reorganised. It now trades under the name of Pemberton Industrial Supplies, operating from Manchester, and now distributes industrial fasteners, engineering supplies, protective clothing and DIY kits under the Pembey trademark.

The full benefit of these three acquisitions is more likely to be felt in the second half of the current year due to the cost of reorganisation and relocation.

For the year under review tax took £25,602 (credit £20,964) giving a net loss of £31,808 (profit £35,740). A profit on the disposal of tangible fixed assets of £48,086 reduced the extraordinary debit to £201,914 (credit £30,000).

● **comment**

Prestwich Parker's cold-formed nuts and bolts operation is heavily cyclical, but the contraction in demand it experienced last year—compounded by serious breakdowns of antiquated plant—was too drastic to risk repeating. So it has set aside £250,000 for the cost of ending that cash drain and will announce specific plans for the Atherton factory tomorrow. Considering the very high fixed overheads involved, a total shutdown looks more likely than a reduction in capacity. Meanwhile, the specialist hot-formed bolt making and distribution activity continued to be profitable. Margins are wider and working capital requirements are less in that market. But practically all of the operating profits came from the 10 weeks' contribution of the Henlys Optical Group. In addition, Prestwich has acquired two clothing and industrial supplies companies since the year end, clearly chastened by its unsuccessful manufacturing experience. So there should be a considerable improvement in the current year, assuming Atherton produces no problems beyond those already accounted for. The shares were unchanged at 54p, where the group is capitalised at £2.4m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Aberdeen Trust	3	Dec 23	2.8*	4.6	4.35*
Arbuthnot Sterling	0.5	Dec 16	0.5	0.5	0.5
Attwoods	2.5	Jan 31	2	3.5	2
Brit. Car Auction†	3.25	Jan 31	2.5	5.25	4.25
Clement Clarke int.	1.31	—	1.15*	—	3.5*
Flight Refuelling int.	0.9	Dec 21	0.75*	—	2.01*
Fundinvest	2.71	—	2.68	4.69	4.56
Majedie Invests.	3.3	—	3	3.3	3
Marlborough Prop int.	0.2	Dec 14	—	—	0.45
Martonair	6.55	—	6.05	8.5	8
Reed Intl. §int.	5	Jan 10	4	—	14
A & G Security‡	1.18	—	1	2	1.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Increased partly to reduce disparity.

Tricentrol placing funds £14m N. Sea acquisition

Tricentrol placed 8m shares at 172p yesterday to part finance the £14m acquisition of two Noreen subsidiaries announced last week. The purchase substantially increases Tricentrol's exposure to the North Sea.

Plans for a placing were put on ice last week because of a slide in the share price. When the group initially pieced together the acquisition and a share placing was an obvious option to pay for it the share price has been around 200p.

By the time Tricentrol had come down firmly in favour of an equity placing the market price was down to 184p. A discount of 12p was described by the brokers de Zoete and Bevan as fairly "tight" given that Tricentrol was issuing almost 10 per cent more shares into a fairly weak market.

The placing went "reasonably easily" according to Ian Watts of de Zoete with the shares going to a broad range of UK institutions.

As well as the shares Tricentrol will pay over around £400,000 in cash.

Schroder Assurance growth

RECORD SALES of investment products in the year to October 31 1983, was recorded by Schroder Assurance and Investment Holdings, the financial services arm of Schroders.

Unit trust sales, both authorised and offshore, were buoyant during the year rising 157 per cent from £37m to £95m. The UK unit trust industry is enjoying unprecedented boom conditions, but Schroder Assurance and Investment did even better.

Sales of authorised unit trusts climbed 150 per cent from £34m to £85m, the group's market share rising from 3 per cent to just under 4 per cent.

This growth was achieved even though only one new, and not outstandingly successful, fund was launched during the period. A substantial proportion of the money was invested overseas, in the American, Japanese and, somewhat surprisingly, the Australian funds. The total value of authorised unit trusts under management rose from £231m to £415m.

The Guernsey offshore trusts sold £10m, against £3m in the previous year.

New annual premiums on life and pensions business rose 50 per cent from £8.7m to £11.9m, with strong growth in pension sales to £6.8m. New life annual premiums amounted to £5.2m, while the Guernsey off-shore company contributed £1.1m.

Single premiums business from life and pensions almost doubled during the year from £16.9m to £33m. Life bond sales accounted for £21.1m, with pensions single premiums bringing in another £5.4m. The Guernsey off-shore company recorded £6m of bond sales.

Majedie asset rise

Net asset value per 10p share of Majedie Investments expanded from 87.63p to 120.18p for the year ended September 30 1983, and the dividend is lifted from 3p to 3.3p.

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MINING NEWS

Hampton Areas buys into Colorado gold prospects

BY GEORGE MILLING-STANLEY

LONDON'S Hampton Gold Mining Areas is to pay a total of U.S.$10m (£6.7m) to buy into joint ventures which are trying to establish large-scale open-pit gold mining operations in the U.S.

Hampton Areas' partners are Centennial Gold and Marathon Gold, both U.S. companies, which own between them 300,000 acres near Craig, Colorado.

Exploration to date indicates the possibility of a number of prospects, each containing more than 1m ounces of gold at average grades between 0.02 oz (0.62 grammes) and 0.06 oz of gold per ton.

The agreement provides for Hampton Areas to pay $5m and $2.5m for interests of 50 per cent and 25 per cent respectively in the first two gold operations to be established by Centennial, and $2.5m for 25 per cent of Marathon's first producing property.

Marathon has been treating bulk samples through a 1,000-ton per day processing plant for some months to assess the commercial viability of recovering gold and the associated monazite, a rare-earth ore.

If all goes according to plan, the joint venture proposes to set up three plants, each with a capacity of 10,000 tons of ore per day. Even at the minimum grade of 0.02 oz per ton, this would mean that each of the plants would be producing in the region of 70,000 oz of gold per year.

Likely working costs for an operation of this size would be of the order of $180 to $220 per ounce of gold produced.

Hampton Areas' contribution to the joint venture is being financed in part by a placing of 2.8m new shares with UK institutions at a price of 180p. The shares dipped 15p to close at that level in London last night.

The first of the proposed 10,000-tons per day plants could be in place within two years allowing one year to establish the best location and a further year for construction work.

Capital cost would be around $20m, which the venture proposes to fund through project finance.

The geology of the area is curious, in that the gold occurs as discrete particles in sandy material near the surface. This is crucial to the costs of such a low-grade operation, as no crushing will be required in the treatment process.

The venture is founded on material available between the surface and a depth of about 50 feet, although there is reported to be potential for more ore, albeit of a different geological type, at depth.

Carr Boyd to start gold mining at Harbour Lights in second-half 1985

THE LATTER half of 1985 should see the start of gold mining at Carr Boyd Minerals' Harbour Lights prospect in the Eastern Goldfields of Western Australia. But Carr Boyd's annual report adds that the size of the proposed open-pit operation will depend on the completion of engineering studies.

These are based on preliminary ore reserves estimates which are now being calculated and which are expected to be available before the end of this year. Drilling results so far released, however, suggest that Harbour Lights will be a sizeable and good grade mine. Water supplies are not expected to be a problem.

The directors say that alternative methods of financing the mine are being considered. It is hoped to avoid calling upon shareholders for development funds.

Carr Boyd's other principal project is the airborne multi-spectral scanner being developed in conjunction with the Commonwealth Scientific and Industrial Research Organisation. It has prospective uses in studying regional geology and in the fields of mineral exploration, hydrogeology, agriculture and pollution control.

The scanner is expected to be test flown during the current quarter and, if successful, should be available for commercial contracts from Carr Boyd in mid to late-1984.

Carr Boyd shares were 64p yesterday. Earlier this year they were 145p, but with the rest of the gold share market they have been brought down in the wake of the falling gold price.

Newmont has a good third quarter

AMERICA'S Newmont Mining, unlike most North American natural resource groups, has managed to increase 1983 third-quarter earnings over those for the previous three months.

Newmont's third-quarter earnings of $16.8m follow $15.82m in the second quarter. They make a total for the first nine months of $51.4m, or $1.69 a share, compared with $31.2m in the same period of last year.

The good earnings progress achieved so far this year is a reflection of increased profits from the gold and coal interests.

The latter were increased in September by a $17.8m purchase of a further 3.235 per cent of Peabody Holding, raising Newmont's stake in the major U.S. coal producer to 30.735 per cent.

The copper interests, however, continued to perform poorly in the face of low prices and demand. The recent fall in prices of both gold and copper may dampen Newmont's results for the current quarter but the full year's earnings should still be ahead of the 1983 total of $48.58m.

London's Consolidated Gold Fields—due to hold its annual meeting today—is a major shareholder in Newmont with a stake of 25 per cent.

* * *

Amax of the U.S. has announced that discussions with Exxon Minerals Company, part of the big oil group, over the possible purchase by Exxon of Amax's half share in the Buick lead-zinc mine, lead smelter and related operations in south-eastern Missouri, have been closed.

Amax revealed that talks were under way on the sale of the Buick operations early in October. The other 50 per cent is held by Homestake Mining.

* * *

Australia's Tunax Resources has formed a joint venture with Hydromet Mineral Company, a London metallurgical group, to develop and exploit fast and economical process for treating gold ores in areas where fresh water is scarce.

The partners are putting together an experimental plant at Kalgoorlie, Western Australia.

UK COMPANY NEWS

ICI on target for substantial recovery

Mr John Harvey-Jones, chairman of Imperial Chemical Industries, said yesterday that the group was on target for substantial recovery and was firmly committed to profitable growth in the future having identified the business areas and territories it believes have the best prospects.

Talking to American investors at the launch of the company on the New York Stock Exchange, Mr Harvey-Jones added that with America a key growth market for ICI the directors expected to double its U.S. turnover to $2bn within four years.

Outlining the profit recovery of the company and the significant effort to reduce costs by about £350m since 1980 he said he expected further growth from businesses such as pharmaceuticals where several new drugs were in the pipeline. He also noted "exciting prospects" for other areas, such as crop protection, where ICI is currently spending $60m a year in worldwide research and development.

The chairman identified significant opportunities for growth within the U.S. in areas such as speciality chemicals.

A new company to market ICI's speciality chemicals has recently been established and its sales are currently running at $250m a year. Future plans include adding products and businesses as opportunities occur through acquisition and technology.

The product mix of the group's sales has been changing as a result of strategic moves away from capital intensive commodity chemicals towards high-technology higher added value effect chemicals.

Sales of ICI Americas, the group's wholly-owned subsidiary, have grown fivefold since 1972 and currently total more than $1bn. The subsidiary, the second largest company in the U.S. in polyester film, will shortly open a $50m extension to its Hopewell, Virginia plant.

U.S. investors hold some 6m ICI shares, representing more than 10 per cent of the group's total share capital.

Hawley plans U.S. quote

The directors of Hawley Group are currently working with a major New York investment bank to investigate the possibility of creating a market in its shares in New York on the over-the-counter market.

In a letter to shareholders, Mr Michael Ashcroft, the chairman, says Hawley's interests in the U.S. have expanded, and increasing interest in the group has been shown by American investors.

He points out that the filing requirements of the Securities and Exchange Commission are extremely complex and would take several months to complete. "Should we proceed with this project, an announcement will be made in due course," he says.

Audiotronic cuts loss

Reduced losses before tax of £23,000 against £103,000 have been produced by Audiotronic Holdings for the 26 weeks to August 31 1983. Turnover of this distributor of electronic goods increased from £1.21m to £1.3m.

Mr A. Gordon Macpherson, chairman, says that Eagle distributors returned to profitability and much of the pre-tax loss was accounted for by start-up costs of diversification into telecommunication products. He says these new activities are developing well.

In the second half he expects sales of such products to make a healthy contribution to broadening the business.

On October 20 Audiotronic bought Micro-Equipment Centre. The company distributes telephones and communication equipment, and turnover in the year to the end of June 1983 was just over £1m with net profits at £207.

Yearlings unchanged

The interest rate for this week's issue of local authority bonds is 9½ per cent, unchanged from last week and compares with 9 per cent a year ago. The bonds are issued at par and are redeemable on November 7 1984.

A full list of issues will be published in tomorrow's edition.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Ellis and Goldstein, Marks and Spencer, Shiloh, TR City of London Trust.

Finals—Allied London Properties, J. Hepworth, Harman Smith, Peters Stores, Pineapple Dance Studios, Sale-guard Industrial Investments, Tiger Oats and National Milling, Wolseley-Hughes.

FUTURE DATES

Interims—

Burnett and Hallamshire	Nov 24
Churchbury Estates	Nov 9
Cullen's Stores	Nov 16
Electra Investment Trust	Nov 9
Electrocomponents	Nov 7
Heath (C. E.)	Nov 22
Locker (Thomas)	Nov 24
Munford and White	†Nov 7
Redland	Nov 24
Usher-Walker	Nov 8

Finals—

Beazer (C. H.)	Nov 3
"W" Ribbons	Nov 9

† Amended

BCA well ahead of forecast at £6m

A RECORD pre-tax profit of £6.02m is reported by the British Car Auction Group for the year ended July 31 1983.

This is well in excess of the March forecast of £5.25m and an increase of 62 per cent over the £3.71m reported for the previous year.

The profits were largely produced by motor auctions in the UK and the U.S.—this contribution rose from £3.06m to £5.58m.

Earnings for the year improved by 4.47p to 11.55p per 10p share and an increased final dividend of 3.25p (not less than 3p had been forecast) lifts the net total by 1p to 5.25p on enlarged share capital. A scrip issue on a one-for-one basis is also proposed.

Gross auction sale proceeds for 1982-83 soared from £299.23m to £685.2m, an improvement of 129 per cent, and turnover moved ahead by 43 per cent from £21.01m to £30.08m.

An analysis of turnover and profits shows: UK—auctions and associated activities £15m (£11.22m) and £4.14m (£3m), gas and gas cylinder suppliers £1.76m (£1.36m) and £40,000 (£162,000) and other £3.53m (£7.69m) and £38,000 (£354,000); U.S.—auctions and associated activities £9.8m (£747,000) and £1.44m (£62,000). Group profits also indicated a £363,000 (£133,000) share from the 38 per cent-owned associate Attwoods.

For the current year, overall trading in the UK and the U.S. continues to be satisfactory.

The group, headed by chairman Mr David Wickins, now operates six auctions in the U.S. Two were acquired in May 1982, the others being purchased during the past year.

In the UK it runs 14 auction centres.

In May this year the remaining 50 per cent of Auto Auctions (Scotland) was acquired together with the goodwill of Alex Beith, Glasgow. In the same month new auction premises were opened in Glasgow.

Tax for the year accounted for £3.12m (£2.08m) and minorities £5,000 (£28,000). Net profits expanded by 81 per cent to £2.9m (£1.6m) before taking account of extraordinary losses of £25,000 (£427,000).

At year-end group shareholders' funds totalled £28.13m (£14.36m). The annual meeting is scheduled to be held on December 16 at Hindhead, Surrey.

● comment

Like the rest of the second-hand car market, British Car Auctions got a fair slice of the action from the buoyancy of new car registrations in the first half. Even so, it looks as if the group has continued to gain market share in what must be one of the more active areas in the motor industry. The 62 per cent increase in taxable profits — well above the forecast in last March's rights issue—sent the shares up 4p to an all-time high of 204p, where BCA is capitalised at £60m and the historic yield is 3.7 per cent. The most dramatic improvement took place in the U.S., which was boosted by four new auction centres, bringing the total to six. But the real advance in U.S. profits should take place in the current year when BCA will have had more of a chance to get to grips with the heavy overheads there. Since the year-end, the group has made its first move into vehicle leasing with the acquisition of a 20 per cent stake in Sandgate of Delaware. Meanwhile, fleet accounts are taking a larger proportion of total sales in the UK as are auctions of heavy commercial vehicles and plant. Moves like this away from the mass market suggest that profit margins are likely to continue to get wider in 1983.

New look Attwoods achieves 147% increase

Attwoods increased its profit before tax by 147 per cent from £406,000 to £1.01m in the 12 months to July 31 1983.

Its principal subsidiary, Drinkwater Sabey, lifted its contribution to £1.07m against £671,000 for the 10 months to July 31 1982.

Overall the group, primarily engaged in sand and gravel extraction, land filling and waste disposal, achieved a 56 per cent increase in turnover to £9.62m, compared with £6.17m.

Attwoods, an associate of the British Car Auction Group, is lifting the final dividend to 2.5p (2p), making a total 3.5p (2p). The year's payout is covered 1.9 times with earnings per share given as 6.69p (5.75p).

A one-for-two scrip is proposed.

After tax of £567,000 (£199,000) and extraordinary debits of £63,000 (£187,000) attributable profits emerged at £375,000 (£20,000).

● comment

Attwoods has now completed its metamorphosis into a pure aggregates group, but is still seeking to cut out any further dead wood. These figures are greatly flattered by the fact that the comparable period had only four months from Drinkwater, which made £1.07m before tax this time. Drinkwater's most important asset, however, has yet to bear fruit. That is the Iver gravel quarry, which will make a substantial contribution in the current year as work on that section of the M25 gets under way. The advantage of being an expanding aggregates group—*Attwoods has just bought a West* country competitor for £1.6m—is that minimal central office costs allow plenty of scope for economies of scale. Meanwhile, BCA sits as heavily as ever on its 38 per cent stake. The shares rose 4p to 141p, where the historic multiple is over 24 on a 56 per cent tax charge.

Reed International P.L.C.

Reed House, 83 Piccadilly, London W1A 1EJ.

Consolidated Profit Statement for the half year ended 2 October 1983

Historical Cost Quarter Ended 3.10.82 £ million (unaudited)	Historical Cost Quarter Ended 2.10.83 £ million (unaudited)		Historical Cost Half Year Ended 2.10.83 £ million (unaudited)	Historical Cost Half Year Ended 3.10.82 £ million (unaudited)	Current Cost Half Year Ended 2.10.83 £ million (unaudited)	Current Cost Half Year Ended 3.10.82 £ million (unaudited)
		Turnover				
326.2	353.8	United Kingdom and Exports	719.4	652.8	719.4	652.8
103.3	130.0	Overseas	260.4	212.7	260.4	212.7
429.5	483.8		979.8	865.5	979.8	865.5
12.6	23.5	**Trading Profit**	49.7	33.1	30.4	13.7
1.2	0.2	**Share of Profits/(Losses) of Related Companies**	(0.4)	1.1	(0.9)	0.7
		Operating Profit				
9.7	16.2	United Kingdom	36.1	23.1	23.0	10.9
4.1	7.5	Overseas	13.2	11.1	6.5	3.5
13.8	23.7		49.3	34.2	29.5	14.4
—	—	**Gearing Adjustment**	—	—	4.1	3.7
(4.1)	(4.9)	**Interest**	(10.1)	(8.1)	(10.1)	(8.1)
9.7	18.8	**Profit before Taxation**	39.2	26.1	23.5	10.0
		Taxation				
(4.0)	(3.8)	United Kingdom	(9.3)	(7.2)	(9.3)	(7.2)
(1.8)	(1.6)	Overseas	(3.5)	(3.6)	(3.5)	(3.6)
(5.8)	(5.4)		(12.8)	(10.8)	(12.8)	(10.8)
3.9	13.4	**Profit/(Loss) after Taxation**	26.4	15.3	10.7	(0.8)
(0.1)	—	**Outside Shareholders' Interests**	—	(0.1)	—	(0.1)
—	—	**Preference Dividends**	(0.1)	(0.1)	(0.1)	(0.1)
3.8	13.4	**Profit/(Loss) Attributable to Ordinary Shareholders**	26.3	15.1	10.6	(1.0)
3.1p	11.4p	**Earnings per Ordinary Share**	22.3p	12.8p	9.0p	(0.8)p

Historical Cost profit before taxation for the half-year ended 2 October 1983 was £39.2m compared with £26.1m for the first half of last year.

Approximately £1.5m was charged in the half-year for minor rationalisation costs compared with £4.5m in the equivalent period last year.

The main growth in profit arose in the United Kingdom in spite of a lack of buoyancy in nearly all markets. Reed Publishing benefited from acquisitions, notably Industrial & Trade Fairs and the Update Group. Consumer Publishing also gained following the disposal in December 1982 of Odhams (Watford). With major rationalisation completed, Decorative Products returned to a small profit after several years of heavy losses. Building Products continued to perform well in highly competitive markets.

Overseas profits reflect improved North American results from Publishing and the elimination of losses in Decorative Products. These gains were largely off-set by reduced profits at the Quebec Mill where North American newsprint prices have only recently been restored to the levels ruling before August 1982.

It was announced on 13 October 1983 that the Board intended to realise the whole of the investment in Mirror Group Newspapers by means of an Offer for Sale to the public during the first half of 1984.

During the half-year, Fischer Medical Inc (publishing) and Roman Adhesives Inc (DIY products) in the United States were acquired at a cost of approximately £9m.

The Historical Cost profit attributable to Ordinary shareholders was £26.3m (last year £15.1m) giving earnings per share of 22.3p (last year 12.8p). Current Cost profit attributable to Ordinary shareholders increased to £10.6m (last year loss £1.0m).

The Board have declared an Interim Dividend of 5p per share (last year 4p). The increase in the Interim Dividend recognises the improved results for the first half-year but is also intended to adjust the balance between the interim and final dividends.

The Interim Dividend will be paid on 10 January 1984 to shareholders on the register on 2 December 1983.

REED INTERNATIONAL includes such famous household names as *Crown Paints* and *Crown Wallcoverings, Polycell, Sanderson, Sphinx* tiles, *Twyfords* ceramic sanitaryware and baths, *Mira* showers and *Key Terrain* waste systems • **Produces** *100 million thermo-plastic injection mouldings* for British industry every year • **Prints** *35 million newspapers* every week • **Publishes** *700 million copies annually* of *270 magazines, business and technical journals,* directories, travel guides and publications for children, as well as *Hamlyn* general interest books and *Butterworth* legal, technical, medical and scientific books • **Has** more outdoor advertising sites in England than any other contractor • **Manufactures** *one in five of Britain's corrugated cases and one in five of its envelopes* • **Makes** nearly *5 million paper sacks* per week • **Converts** board into *60 million cartons* each week • **Buys** more waste paper than anyone else in Britain • **Produces** one out of every six tonnes of *paper and board* manufactured in the UK • **Organises** more exhibitions worldwide *than anyone else* • **And much more besides.**

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BIDS AND DEALS

Dee pays £4.6m for N. England superstores

By David Dodwell

Dee Corporation, the recently-renamed Linfood supermarkets group, has bought two hypermarkets in the north of England from the ailing private hypermarket company Castlecare and Macgay, in a deal worth about £4.6m.

The two hypermarkets — in Boroughbridge and Castleford—will join six others controlled through Dee's subsidiary Hypermarket (Holdings). All of these trade under the Carrefour name. The rest of the stores in the chain trade in the south or west of England.

Dee is paying shares to the value of about £3.9m for the freehold of the two hypermarkets, with the rest of the consideration being for stocks. It is allotting to Castlecare a total of 1.5m of its own shares, which stood at 316p at the end of trading on the stock exchange yesterday, down 2p on the day.

Castlecare and Macgay, controlled by a Mr Asquith, comprised three hypermarkets. The third, in Billingham, Cleveland, was not bought by Dee largely because of restricted planning permission for the store.

The Dee Corporation has, since 1978, had a 90 per cent stake in Hypermarket (Holdings). But in September, following the purchase early this year of 98 Key Markets stores from Fitch Lovell for £44.8m, it bought the remaining 10 per cent interest from the French group Carrefour with the aim of expanding hypermarket operations.

The Castlecare hypermarkets began trading yesterday morning under the Carrefour name.

Mellins

Mellins, the clothing manufacturing and property investment group headed by Mr Touker Suleyman, announced yesterday that it would be bringing forward its interim profits announcement by four days to Friday November 4 to counter what it described as "the current market situation and unfounded rumours."

The market, in what are generally very limited dealings, pushed the share price down to 47p at one point yesterday before a late rally which lifted the price to 70p, down 8p.

That contrasts with a rights issue price of 100p in April this year. The group stressed that it is trading profitably with adequate financial resources and "autumn sales have been good."

Queens Moat's £5.7m for a Hilton

BY DAVID DODWELL

THE fast-growing Queens Moat Houses hotel group yesterday exchanged contracts for the purchase of the Hilton International hotel in Stratford-upon-Avon from Lex Services for a cash consideration of £5.7m.

The 10-year-old 253-room hotel will be renamed the Stratford-upon-Avon Moat House. It will be the group's second hotel in the town, complementing the smaller Falcon Hotel.

Since acquiring 26 County Hotels from Grand Metropolitan for £30m in February last year, Queens Moat has grown to become the UK's largest provincial hotels chain. After yesterday's deal, it owns 52 hotels.

For the Lex Service group, the disposal marks its final withdrawal from the hotels business. It has not operated any hotels for about two years. Hilton's sub-lease to manage the Stratford hotel was sold to Queens Moat as part of yesterday's deal.

In the short-term, Lex intends to use the cash arising from the deal to reduce borrowings. In due course, it may be used for group expansion, particularly in electronic components. Barely two weeks ago, Lex mounted a £20m rights issue, at the same time forecasting profits for the year of £35m.

Mr John Bairstow, Queens Moat's chairman, said yesterday that he expected to take possession of the hotel at the end of this month. He added that the group was "actively examining other possible purchases in the provinces."

Since buying the County Hotels chain, Queens Moat has bought its first London hotel—now called the Drury Lane Queens Moat—for £2.25m. In September, the group bought two hotels from Saxon Inns, also for £2.5m.

Mr Bairstow said yesterday that the group was seeking another London Hotel.

This rapid expansion has involved substantial financing needs over the past two years. The group has mounted three rights issues—the last in May this year was for £10.2m—and has borrowings which amount to £25m.

Mr Martin Marcus, the group's finance director, said yesterday that present gearing stood at 69.7 per cent if convertible loan stock is not taken into account. He expects this ratio to fall by the end of the financial year, perhaps to 63 per cent.

At the half year stage, up to July 10 1983, Queens Moat earned pre-tax profits of £1.61m, compared with £1.09m in the first half of 1982. At the time of releasing the interim figures, Mr Bairstow forecast full year profits of at least £4m, compared with £2.78m last year. Yesterday's acquisition is not expected to alter that forecast. Its shares rose by ½p on the Stock Exchange to end the day at 33½p.

Barrow Hepburn expanding into chemicals

BY CHARLES BATCHELOR

Barrow Hepburn Group, the Birmingham-based leather processor which has diversified into engineering, rubber and plastic compounding and packaging, has bought Mydrin, a Barnsley-based specialist chemicals company for up to £1.6m.

Barrow will make an initial payment of £600,000, comprising £50,000 cash and £550,000 in unsecured loan notes, and up to a further £1m depending on Mydrin's profits in the 21 months to December 31 1984.

Mydrin makes and markets specialist liquid chemicals mainly for the coating of fabrics and paper in the textile and wallpaper industries. Applications include improving handling qualities, as flame retardants and adhesives.

The company made a pre-tax profit of £79,000 on turnover of £1.78m in the year ended March 31 1983. Audited net tangible assets then were £472,000 but after a property revaluation unaudited assets at August 31 were £620,000.

Mr Ray Way, chief executive of Barrow, said: "It is a logical extension of our business. We already have a company, Perrite, which compounds rubber and plastics. Mydrin is another specialist business supplying products to our customers' own specifications."

Mydrin, with a workforce of 26, has a "fairly substantial share of its own market place."

Barrow is continuing to look for potential acquisition candidates. It made a pre-tax profit of £409,000 on sales of £15.5m in the first six months of 1983.

Mr Robert Milton, managing director, and Mr J. T. Kukula, technical director of Mydrin, have signed service contracts to stay with the company.

Up to £275,000 of the loan notes may be redeemed at par at the vendor's option on or before April 6 1984 with the balance redeemable on or after April 1 1985, with a final redemption date of December 31 1985.

Pre-tax profits of more than £270,000 for the 21 months ending December 31 1984 will trigger the deferred consideration of up to £1m. The payment will amount to £3.25 for every £1 of profits up to a maximum profit of £577,692.

Novametrix offer to aid PI's access to U.S. market

Novametrix Medical Systems, a fast-growing U.S. electronic instrumentation company, has made an offer to acquire Physiological Instrumentation, a British research and manufacturing venture in the same field, at a total cost of some £900,000.

Outside shareholders in the British company, who took an 80p a share stake in PI only last spring, through a private placement arranged by Cardiff stockbroker, Lyddon and Company, to raise £425,000 in new capital, are being offered 117p cash per share.

PI's founders, Dr Dawood Parker, Mr David Delpy and Mr David Halsall, whose shares represent 63 per cent of the equity and who will continue their association with the company, have agreed to accept 20p a share.

The Novametrix offer has been approved, and is being recommended, by PI's directors. It is conditional upon at least 90 per cent acceptance by the remaining shareholders.

PI researches and manufactures instruments for the measurement of blood gases, both internally and through the skin. Until recently, its products were marketed by Critikon, a subsidiary of the Johnson and Johnson Group.

Novametrix now claims to be the U.S. market leader in transcutaneous monitoring instrumentation. The tie-up will give PI, which has no marketing arm of its own, continued access to the U.S. medical market.

In the meantime, PI is negotiating with the Welsh Office for funds to help concentrate its manufacturing activities at Whitland, West Wales, where it recently transferred its head office and research activities from London.

Drake & Scull offshoot sold to consortium

Drake & Scull Holdings, the mechanical engineering group recently acquired by Simon Engineering, has sold Sturtevant Engineering Company to a consortium including two Sturtevant directors and a U.S. company, NFE International, for nearly £1m.

Also included in the consortium was ICFC, a division of Investors in Industry. The two directors were Mr Alan Miller and Mr Anthony Coombe.

Payment of the purchase price of £947,000 was completed on October 31—a £330,000 loan owed to Brighton-based Sturtevant was repaid at the same time.

Sturtevant employs 75 people, making industrial vacuum cleaners, integrated pneumatic systems for coal, ash and grit handling and pulse phase conveying systems.

The disposal of Sturtevant almost completes Drake's withdrawal from manufacturing although Sturtevant Engineering Products, which makes industrial fans in Manchester, is still being run down. This will leave Drake with engineering contracting activities.

Drake said in September that it was negotiating the sale of both the Sturtevant companies.

Illingworth Morris

Acceptances for the Abele offer for Illingworth, Morris have been received in respect of 636,479 ordinary (6.36 per cent) and 1.47m "A" ordinary (4.9 per cent 20p stock units). Abele therefore now controls 5.46m ordinary and 15.75m "A" ordinary units representing 54.6 per cent and 52.46 per cent respectively. The offers have now closed.

Birmingham Pallet listing suspended

THE SHARES of Birmingham Pallet Group were suspended from trading on the Stock Exchange yesterday at the company's own request. The suspension price of 63p values the company at £643,000.

Birmingham Pallet made a pre-tax loss of £322,000 on turnover of £2.25m in the year ended October 31 1982. It announced yesterday that G. R. James and Barry Hersh, acting in concert, had acquired 75,000 shares each in the company to give them a combined holding of 14.7 per cent.

Birmingham Pallet also said that its directors were discussing with the shareholders of a private group of companies unconnected with Mr James or Mr Hersh the acquisition or reverse takeover of the private group.

In a further development a group subsidiary, Birmingham Pallet Company, has ceased to trade. The subsidiary has ceased making pallets and racking, but had continued its marketing operation. Negotiations are at an advanced stage for the sale with effect from October 31 1983, of the business and its manufacturing equipment.

The shares which have been acquired by Mr James and Mr Hersh are registered in the names of Mr M. Ramsey, the joint chairman of Birmingham Pallet and members of his family, with 120,000, and Manor Associates, with 30,000. Mr Ramsey has given options over his shares exercisable at 60p over the 12 months from October 31.

Meggitt suspended

Meggitt Holdings, the machine tool distributor which has been a loss maker since 1980, called a halt to dealings in its shares yesterday pending a further announcement. The price was frozen at 38p ahead of details, expected tomorrow regarding the expected arrival of a new management team.

The group has successfully sold the freehold of its property at Bournemouth and the leasehold of its Smethwick premises. The proceeds were £260,000 and £42,000 respectively which have been applied to net debt of £703,000 as at June 30.

The largest shareholder is Mr John Nash, chairman of Nash Industries, the packaging, engineering and construction group. Mr Nash holds a stake of 18.8 per cent.

APPOINTMENTS

Board changes at United Biscuits

UNITED BISCUITS GROUP is making a number of managerial changes from January 1. Mr J. P. Mann, a group deputy chairman, who has reached retirement age, will relinquish his responsibilities for the North American companies on January 1, and will retire from all executive duties at the annual meeting in May. He will remain on the board as a non-executive director. Sir Hector Laing, chairman, and Mr W. P. Gunn, deputy chairman, will assume direct responsibility for the group's North American activities and at the same time Mr Gunn will relinquish his position as chairman of United Biscuits (UK). Mr R. C. Clarke, at present managing director of UB (Biscuits) will be appointed chairman and managing director of United Biscuits (UK). Mr F. W. Knight, at present deputy managing director of UB (Biscuits) will be appointed managing director and will at the same time be appointed to the board of United Biscuits (UK). Mr Clarke and Mr T. M. Garvin, president of the Keebler Company in the U.S., will join the board of United Biscuits (Holdings).

*

WEEKS ASSOCIATES has appointed Mr Peter Lambert as managing director of group subsidiary Weeks Trailers. Mr Lambert was managing directors of Geest industrial group, a subsidiary of Geest Holdings.

*

Mr Norman Lessels has been appointed deputy chairman of the SCOTTISH EASTERN INVESTMENT TRUST. Mr Lessels has been a director since 1980 and is deputy chairman of the Standard Life Assurance. Mr Michael Kennedy has been appointed to the board following the retirement of Mr J. A. R. Falconer. Mr Kennedy is a partner in Martin Currie & Co, the company's managers and secretaries.

Peter Howell (left), chairman, and Dick Chenery (right), managing director, of Y.A.Y. Holdings

A specialist sub-contracting division within Trollope and Colls Holdings has been formed. Called YAY HOLDINGS, it brings together companies within T & C to create a total sub-contracting capability with a combined turnover of more than £30m and employing over 1,600 staff and operatives. Skills include mechanical and electrical engineering, ceiling contracting, and ceiling tile manufacture in addition to a complete fitting out capability. The companies are Young Austen & Young and Young Austen & Young (International) (mechanical services), Rashleigh Phipps Electrical (electrical engineering), Clark & Fenn (fibrous plaster and suspended ceiling contractors), Anderson Construction (partitions, ceilings and raised flooring specialists), Firmin & Collins (refurbishing, ceiling and partitioning) and Echostop Systems (plaster ceiling tile manufacturer). Chairman of the new division is Mr Peter R. Howell, who is also managing director of Trollope & Colls Holdings and a Trafalgar House director. The managing director is Mr Richard J. Chenery, previously managing director of Young Austen & Young. Other board members are: Mr J. M. King, marketing director; Mr D. Dannhauser, financial director; Mr C. B. Megone, secretary. The managing directors of the constituent companies also join the board—Mr M. C. Horley (Firmin & Collins); Mr J. I. Kilner (Young Austen & Young); Mr M. Rugg (Clark & Fenn); Mr R. W. de Settecourt (Rashleigh Phipps Electrical); Mr M. J. Whyte (Anderson Construction Co); and Mr A. R. Zambra (Echostop Systems).

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday November 2 1983

France takes easier line on Euromarket loan, Page 34

WALL STREET

Senate snag leaves an uneasy limbo

BOND MARKETS on Wall Street were thrown out of gear yesterday by the continued delay in obtaining approval from the U.S. Senate for extension of the Treasury debt limits – without which this week's Treasury funding programme remains in limbo, *writes Terry Byland in New York.*

The stock market was left to its own doubts about present price levels, the impact of the quarterly reporting season and the uneasy international background.

Stock prices fell away steadily until late afternoon when there was bargain hunting among the market leaders. The Dow Jones industrial average closed a net 4.07 higher at 1,229.27 having been below 1,215 earlier. But sellers were still in the majority over the broad range of the market. Turnover was 84.7m shares with 886 stock gains and 878 losing ground. The bond market also edged higher in the final hour, although little attention was paid to the news that the Treasury will sell $12.4bn bills on Monday – these are replacements for bills already in the market.

Credit market yields slackened off a shade throughout the range as participants looked for a sign that the political impasse could be bridged. But, with the Senate majority whip warning early in the day that the political delay might last all week, retail investors kept out of the debt markets.

The Treasury brought forward to mid-day yesterday the auction of $7.75bn in one-year bills which had been postponed from last week. But it also said it was postponing indefinitely the sale of $6.5bn in three-year notes, planned for yesterday, and added that no decision had been made on the two other major fundings set for this week – $5.25bn in 10-year notes and $4.5bn in 30-year bonds.

The day started with stock market analysts crowded into the previews of IBM's new home computer, the PC Junior. Initial reactions seemed favourable and IBM closed unchanged at $126⅛.

Other mainframe computer manufacturers held firm, with Honeywell $3 up at $126⅛ and NCR adding $3⅜ to $126⅛.

Texas Instruments regained $2⅛ to $127. Commodore International at $34¼ shed another $¾.

Among rail stocks Burlington Northern fell $1 to $103 but there were buyers for Norfolk and Western, $2⅛ better at $63⅜.

Imperial Chemical, the UK group, made a successful debut on New York's Big Board. The American Depositary Receipts for ICI shares traded in U.S. markets have been adjusted to represent four ICI shares each. The ADRs opened at $35⅝, later drifting down with the market to $34½, an effective fall of $⅝.

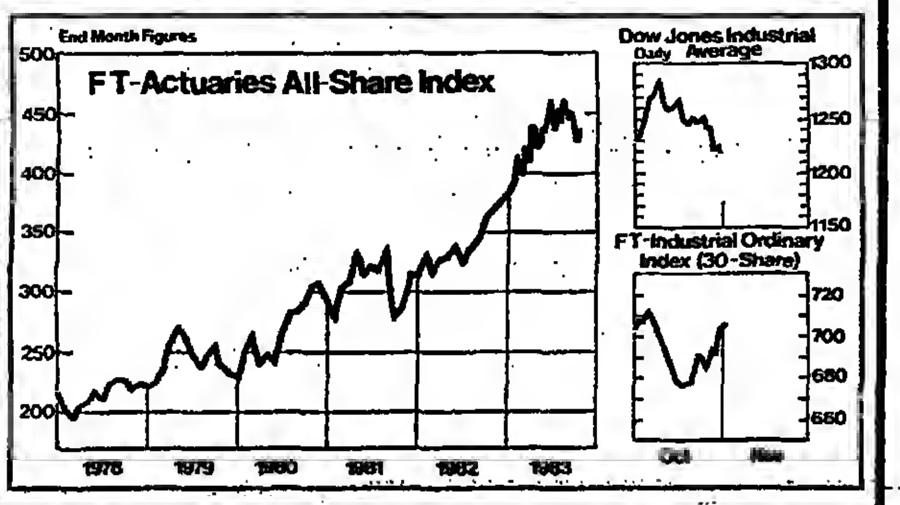
Profit-taking made itself felt elsewhere in chemicals. Monsanto gained $⅛ to $107¼. Union Carbide fell $⅝ to $64⅜ and Dow Chemical at $33⅞ was $⅛ down.

The flow of corporate results slackened but Grumman, the Long Island-based aerospace group, lost $⅝ to $26½ after announcing results. McDonnell Douglas eased $⅛ to $50½ but Boeing, which also disclosed results on Monday, gained $1⅛ to $39⅛.

In the credit market, customer repurchase arrangements of $2.5bn had little effect. Another discouraging factor was Fed Funds rate on the high end of its recent range of 9⅜ per cent. The Fed entered the market with Funds at 9⅝.

The key long bond, the 12 per cent of 2013 – awaiting a date for the sale of a new batch of 30-year bonds – edged higher to 101 25/32 to yield 11.77 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 1	Previous	Year ago
DJ Industrials	1229.27	1225.2	1005.7
DJ Transport	579.32	577.17	427.98
DJ Utilities	140.22	140.7	119.56
S&P Composite	163.52	164.52	135.47
LONDON			
FT Ind Ord	706.2	703.1	616.5
FT-A All-share	438.42	437.38	382.20
FT-A 500	475.26	474.38	424.82
FT-A Ind	432.90	431.96	392.84
FT Gold mines	444.6	461.3	406.3
FT Govt secs	82.34	82.07	85.80
TOKYO			
Nikkei-Dow	9350.91	9356.79	7334.64
Tokyo SE	685.41	685.51	544.93
AUSTRALIA			
All Ord.	688.1	687.4	504.1
Metals & Mins.	508.6	511.9	404.7
AUSTRIA			
Credit Aktien	closed	54.05	47.4
BELGIUM			
Belgian SE	closed	122.73	98.34
CANADA			
Toronto Composite	2374.75	2361.08	1790.7
Montreal Industrials	415.68	415.12	319.42
Combined	400.51	399.28	304.27
DENMARK			
Copenhagen SE	194.27	196.15	90.96
FRANCE			
CAC Gen	closed	141.3	100.3
Ind. Tendance	closed	149.5	119.3
WEST GERMANY			
FAZ-Aktien	340.47	341.11	231.65
Commerzbank	closed	1012.2	700.8
HONG KONG			
Hang Seng	846.74	865.22	771.85
ITALY			
Banca Comm.	closed	185.65	163.89
NETHERLANDS			
ANP-CBS Gen	136.3	136.9	95.0
ANP-CBS Ind	111.1	111.6	74.4
NORWAY			
Oslo SE	203.22	201.54	104.78
SINGAPORE			
Straits Times	938.26	943.8	719.08
SOUTH AFRICA			
Golds	661.4	675.3	724.0
Industrials	880.9	889.9	684.3
SPAIN			
Madrid SE	closed	125.23	101.65
SWEDEN			
J & P	n/a	1427.76	733.57
SWITZERLAND			
Swiss Bank Ind	348.2	346.3	261.7
WORLD	Oct 31	Prev	Yr ago
Capital Int'l	177.9	177.9	141.8

GOLD (per ounce)

	Nov 1	Prev
London	$377.625	$382.875
Frankfurt	$377.50	$382.00
Zurich	$377.50	$382.75
Paris (fixing)	closed	n/a
Luxembourg (fixing)	closed	$383.00
New York (Nov)	$377.00* $378.30	$376.00 $376.00

* indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Nov 1	U.S. DOLLAR Previous	STERLING Nov 1	STERLING Previous
$	–	–	1.4865	1.4955
DM	2.655	2.63	3.9475	3.935
Yen	234.8	234	349.25	350
FFr	8.0775	8.0	12.005	11.975
SwFr	2.161	2.141	3.215	3.2025
Guilder	2.973	2.94675	4.4225	4.41
Lira	1606.75	1598.25	2388	2390
BFr	53.86	53.48	80.05	79.8
C$	1.23325	1.23245	1.8325	1.843

INTEREST RATES

Euro-currencies (three month offered rate)	Nov 1	Prev
£	9⅝	9⅝
SwFr	4¼	4¼
DM	5 13/16	5 7/16
FFr	12 13/16	12 13/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 13/16	9¾
6-month U.S.$	9 15/16	9 15/16
U.S. Fed Funds	9 5/16	9½
U.S. 3-month CDs	9.30	9.25
U.S. 3-month T-bills	8.45	8.50

U.S BONDS

Treasury	Nov 1 Price	Nov 1 Yield	Prev Price	Prev Yield
10½ 1985	99 27/32	10.55	99 26/32	10.56
11½ 1990	99 28/32	11.55	99 14/32	11.60
11⅞ 1993	101 1/32	11.66	100 21/32	11.72
12 2013	101 25/32	11.77	101 11/32	11.80
Corporate	**Nov 1**		**Prev**	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	93¾*	11.75*	93¾	11.75
3⅞ July 1990	93¾*	11.75*	93¾	11.75
8¾ May 2000	76*	12.15*	76	12.15
Xerox				
10⅞ March 1993	92⅝*	12.05*	92⅝	12.05
Diamond Shamrock				
10⅜ May 1993	90⅞*	12.30*	90⅞	12.30
Federated Dept Stores				
10⅜ May 2013	87.132*	12.25*	87.132	12.25
Abbot Lab				
11.80 Feb 2013	96.396*	12.25*	96.396	12.25
Alcoa				
12¼ Dec 2012	96.16*	12.75*	96.16	12.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	70-27	70-27	70-14	70-22
U.S. Treasury Bills (IMM) $1m points of 100%				
December	91.16	91.18	91.10	91.14
Certificates of Deposit (IMM) $1m points of 100%				
December	90.45	90.46	90.39	90.46
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.28	90.28	90.23	90.35
20-year Notional Gilt £50,000 32nds of 100%				
December	108-25	108-25	107-28	108-04

COMMODITIES

(London)	Nov. 1	Prev
Silver (spot fixing)	560.25p	584.20p
Copper (cash)	£930.50	£931.00
Coffee (Nov)	£1853.00	£1835.00
Oil (spot Arabian light)	$28.50	$28.57

EUROPE

German gain underpinned by profits

THE WEST GERMAN stock market, bumping along at a moderate pace for several months, has surged ahead lately, encouraged by foreign buying – only to be jolted by new international uncertainties, *writes John Davies in Frankfurt.*

While the market so far has resiliently withstood shocks from the Caribbean and Middle East, renewed doubts have arisen about the effect of currency and interest rate worries on future buying.

The latest bout of share buying has been attributed to signs of stronger economic recovery in West Germany and evidence of higher sales and profits in some business sectors.

According to stock exchange dealers, U.S. buyers have been strongly entering the fray, while there has also been a burst of interest from Asia, notably Japan.

In Europe, bourses were closed for a religious holiday yesterday in Austria, Belgium, France, Italy and Spain.

The Commerzbank index reached a new peak for the year of 1,017.5 early last week, up a third from the beginning of the year and 56 per cent higher than the trough of August last year.

The bank's index, based on 60 representative shares, is still some distance below its record high of 1,031.9 in September 1960, but other indices, with a different range and weighting of shares, indicate that the market has surpassed previous peaks.

A more restrained mood has set in during the last few days, as the U.S. dollar has again strengthened against the D-Mark and as some signs of higher interest yields have emerged.

Even so, the Commerzbank index has remained doggedly above the 1,000 level. With half of West Germany's eight stock exchanges closed for a holiday yesterday, the index was not compiled, but dealers said the Frankfurt market was quiet and slightly weaker. The FAZ index slipped 0.64 to 340.47.

Earnings have been recovering sharply at the "big three" chemical groups, Hoechst, BASF and Bayer, boosting hopes of an increase in dividends, which were cut last year.

Our Financial Staff adds: In very thin trading elsewhere in Europe, Amsterdam drifted lower on concern about the outlook for interest rates and the stronger dollar. Shares ended mixed in Zurich where considerable switchings from bearer shares into higher yielding registered issues was seen.

Stockholm weakened in steady turnover. A major casualty was Pharmacia, free shares in which dropped SKr 37 to SKr 370 despite Monday's announcement of a 59 per cent rise in pre-tax profits for the first nine months of the year. The decline, after a SKr 12 rise that day, followed heavy selling on Wall Street overnight.

LONDON

Selective shift to second-line

A MILDLY optimistic Confederation of British Industry survey of industrial trends enabled London equity markets to extend Monday's advance. Investment demand, however, was more selective yesterday and confined largely to secondary issues. Situation and speculative issues also claimed a larger share of overall trade.

Government stocks retained Monday's prominence with longer maturities recovering from early uncertainty to close with fresh gains of about a half.

The FT Industrial Ordinary index closed 3.1 up at 706.2.

South African gold shares took another battering. Heavyweight issues were a further £2 down at one stage, but rallied in sympathy with bullion to close with widespread losses of a point.

Details, Page 27; Share Information Service, Pages 28–29.

TOKYO

Buying from abroad fails to broaden

AN EARLY Tokyo advance faded yesterday as domestic investors failed to follow up active foreign buying on the first trading day of the new month, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow average, which gained more than 20 points early in the morning session, finished off 5.88 at 9,350.91. The 225-issue indicator had risen 55.23 on Monday. Volume, however, increased to 315.36m shares against the previous session's 210.95m. Advances outnumbered losses 336 to 320, with 193 shares unchanged.

European and other foreign investors helped liven up the market temporarily with buy orders for some 26m shares, mainly for large-capital steels and shipbuilders, against selling of 9.4m. After foreign orders were settled, buying interest tapered off rapidly despite brokers's efforts to step up new-month trading.

Kobe Steel rose Y5 to Y180 on foreign buying totalling 7m shares, while Nippon Steel gained Y3 to Y171. Foreign interest also sent Mitsubishi Heavy Industries up Y8 to Y253 and Denki Kagaku Kogyo Y8 to Y335.

A few major securities houses have despatched executives to Europe to drum up investor interest in Japanese stocks, and expectations that the yen would rise in value apparently triggered extensive foreign buying yesterday.

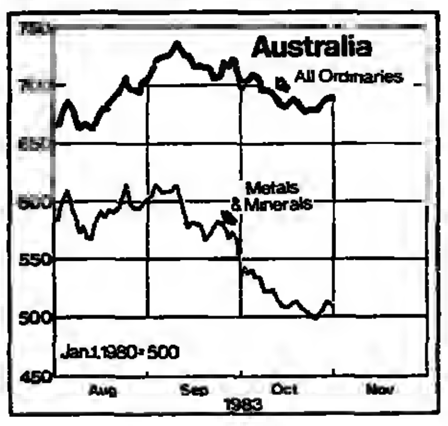
Mitsubishi Gas Chemical rose Y10 to Y303 on hopes of better earnings for the March 1984 term, and Meito Sangyo advanced Y40 to Y1,150 on speculative buying.

Many blue-chip international populars shed early gains on small-lot selling. TDK lost Y90 to Y4,830, Matsushita Electric Industrial Y30 to Y1,720, Pioneer Electronic Y30 to Y2,800, and Kyocera Y40 to Y7,100. But Fujitsu and NEC both added Y10 to Y1,300.

Motor issues were mixed. Toyota rose Y10 to Y1,280, but Honda shed Y20 to Y1,010 and Nissan Y5 to Y715. Japan and the U.S. agreed to set a new ceiling on Japanese car exports to the U.S. market at 1.85m units for the fiscal year starting in April 1984, compared with 1.68m for the current year.

The bond market changed little in thin and lacklustre trading. Securities firms and other financial institutions were preoccupied with the Finance Ministry's tender offer for Y350bn worth of 6.6 per cent, three-year government bonds and the Bank of Japan's selling of Y400bn worth of Treasury bills, due on December 2.

The yield on 7.5 per cent government bonds, due in January 1993, edged up to 7.755 per cent in early trading, but dropped back later to Monday's closing level of 7.74 per cent.



AUSTRALIA

THE RALLY in resource stocks that began in Sydney on Friday was brought to an abrupt halt yesterday as the bullion price dipped to $378 an ounce in New York overnight and in Hong Kong during the morning.

Trading, however, was thin with the Melbourne exchange closed for the running of the Melbourne Cup horse race.

Among gold issues, GMK fell back 20 cents to A$9, Emperor 10 cents to A$2.50, Poseidon 10 cents to A$4.30 and Central Norseman 8 cents to A$8.20. Western Mining held steady at A$3.55.

Copper's failure to hold its ground on the international markets saw MIM down 6 cents to A$3.61 and Bougainville 8 cents to A$2.30.

HONG KONG

A ROUND of profit-taking mainly by short-term investors brought an end to the five session rally in Hong Kong and left the Hang Seng index down 18.48 at 846.74.

The correction was attributed to a weaker local currency, which traded below the linked rate of 7.80 to the U.S. dollar for most of the day. But the decline has not changed the generally optimistic view being taken for shares, assuming a continued drop in local interest rates.

Among the leaders, Cheung Kong eased 25 cents to HK$6.90, Hongkong Land 10 cents to HK$2.70, Hongkong Bank 10 cents to HK$7.15, Hutchison Whampoa and Jardine Matheson 20 cents each to HK$12.20 and HK$10.70 respectively and Swire Pacific "A" 60 cents to HK$14.80.

SINGAPORE

SOME LIGHT selling in a very thin Singapore market left the Straits Times industrial index to close down 5.3 at 938.26.

Cerebos was again the most actively traded stock but it closed unchanged at S$1.98. Another active, K. L. Kepong, fell back 5 cents to S$2.90.

Among industrials, Cold Storage slipped 2 cents to S$4.90 and National Iron down 5 cents at S$6.50. Conversely, Pan Electric gained 2 cents to close at S$3.16.

SOUTH AFRICA

A MUTED rally from the day's lows was effected in Johannesburg gold shares as a falling rand enhanced their attractiveness to overseas investors, but bullion's slide proved the dominant influence.

Durban Deep stood R1.75 off at R20.25, while among the financials Amgold shed R6 to R110. De Beers dipped 10 cents to R8.40.

Industrials were unsettled too, with SA Breweries down 30 cents to R7, AE & CI 20 cents to R8.60 and Unisec 15 cents to R5.45. Tobacco giant Rembrandt fell 25 cents at R20.50.

CANADA

THE OIL and gas sector provided the main area of Toronto strength in a generally flat market subdued by the persistent weakness in world bullion values for gold.

Base metal and mineral issues, which had been holding up relatively well in the face of the sharp erosion in gold shares, began to succumb to weakness in sympathy.

Montreal gave the best of the running to the banking sector, while papers and utilities were also firm against a weaker trend on the industrial side.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	7¾	AAR	.44	3.2	18	18	14	13⅞	13⅞	−¼
52¼	29½	ACF	1.40	2.9	42	120	49	48⅝	48⅝	−⅛
28	14¾	AMF	.50	2.8		743	18⅛	17¾	18	+⅜
38¾	19¾	AMR Cp			15	6667	34	32⅞	33⅞	+1¼
19	15	AMR	pf2.18	12.		25	19	18⅞	18⅞	
39⅛	24⅞	AMR	pf2.13	5.7		132	37	35⅞	37	+1½
15⅞	2¾	APL			26	46	12⅞	12⅞	12½	−⅛
55	31⅛	ARA	2.05	4.2	12	90	49⅛	48⅝	49⅛	−¼
79⅞	49	ASA	3e	5.9		989	51⅛	50¼	51¼	+⅛
33¾	11¼	AVX	s .32	1.8	30	255	21	19½	19½	−1¼
53⅞	34¼	AbtLab	1	2.0	19	1430	51⅛	50⅞	50⅞	+¼
30⅞	23¼	AccoW	n.50	2.0	18	51	25	24¾	24¾	−⅛
27½	16⅞	AcmeC	.40	1.8		14	22⅞	22¼	22⅛	−⅜
14⅞	7⅞	AcmeE	.32b	3.0	625	z22	10½	10½	10½	−½
24⅞	7¼	AdmDg	.04	.2	17	26	20⅞	20½	20⅝	−¼
18	14⅞	AdaEx	1.73e	9.9		86	17⅝	17¼	17½	−⅛
19¾	7¼	AdmMl	.24	1.8	7	55	13⅞	13½	13⅞	−¼
18⅞	8⅞	AdvSyst	s.12	1.0	9	147	12⅞	12¼	12⅝	
34⅞	10⅞	AMD	s		50	3403	30	29	29⅝	−⅛
24⅝	12⅞	Aerflx	s		15	112	15	14⅝	14⅞	−¼
44⅛	32⅞	AetnLf	2.64	7.3	8	1217	36½	36	36⅞	
65	55¼	AetL	pf5.18e	9.3		164	56½	55¾	55¾	−¼
40½	19½	Ahmns	.60	2.1	18	1180	28	29	29	+⅜
7⅞	2⅞	Aileen				201	4¼	3⅞	3⅞	−⅛

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

NORWAY

SPAIN

GERMANY

SWEDEN

AUSTRIA

BELGIUM/LUXEMBOURG

SWITZERLAND

ITALY

HONG KONG

SINGAPORE

JAPAN

SOUTH AFRICA

NEW YORK CLOSING PRICES

Continued from Page 25

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

MONTREAL

TORONTO

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

(**) Saturday Oct. 29: Japan Nikkei-Dow 9301.56 TSE 682.36. Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

CBI survey encourages fresh rise in equity leaders

Golds take another battering

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct 17	Oct 27	Oct 28	Nov 7
Oct 31	Nov 10	Nov 11	Nov 21
Nov 14	Nov 24	Nov 25	Dec 5

*"New-time" dealings may take place from 9.30 am two business days earlier.

A mildly optimistic CBI survey of industrial trends enabled equity markets to extend Monday's advance. Investment demand, however, was more selective yesterday and confined largely to secondary issues. Situation and speculative issues also claimed a larger share of overall trade.

Government stocks retained Monday's prominence with longer maturities recovering from early uncertainty to close with fresh gains of about ¼. Sentiment in the funds was still underpinned by hopes of cheaper money and of lower inflation.

Although the emphasis switched from blue chips to second-line equities, **Bowater** and **Reed International** were good features; the former touched 216p before closing 5 higher on balance at 210p following news that the group is discussing the sale of its Corner Brook mill in Newfoundland. **Reed International**, in recognition of interim profits at the top end of market estimates, rose 6 to 346p.

Consumer-orientated sectors remained popular with Breweries particularly favoured. Hopes of bumper pre-Christmas spending remained the basic stimulant but interest in Stores was heightened by the imminence of Marks and Spencer's interim figures, due today.

The underlying strength of equity markets was well illustrated by the successful placing of 8m shares in **Tricentrol**, at 172p, the proceeds of which were needed to finance a major Canadian acquisition; Tricentrol's shares fell to 180p at one stage before closing a net 8 down at 186p.

Mellins became agitated by various rumours and fell sharply until rallying strongly late on the company's reassuring statement; the interim results, originally scheduled for next Tuesday, are to be announced this Friday. The early weakness of Mellins exerted pressure on other speculative high-fliers such as **Harold Ingram**, **Inter-City** and **Bellair**. **Polly Peck** and its two associate concerns also traded nervously.

Having broken through the 700 barrier for the first time in nearly three weeks on Monday, the FT Industrial Ordinary share index advanced afresh. Sentiment throughout the afternoon was aided by the CBI survey and the index closed 3.1 up at 706.2.

Early hesitancy and sporadic falls of around ⅛ in Gilt-edged quotations owed much to the unsettled trend of U.S. bonds. The tone soon improved, however, as investors were drawn again by the inflation outlook and attractive yields offered by many securities. Selected longer-dated gilts eventually closed a net ½ up, while shorter maturities closed with gains ranging to ⅛. The FT Government Securities index rose 0.27 more to 82.34, its highest level since September 26.

South African gold shares took another battering. Heavyweight issues were a further £2 down at one stage, but rallied in sympathy with the later recovery in the bullion price to close with widespread losses of a point. The FT Gold Mines index dropped 16.7 more to 444.6.

Eagle Star higher

Eagle Star, the subject of a controversial 500p per share bid from German insurance group Allianz, rose 8 to 528p on overseas buying; the defence document is expected to be published tomorrow or Friday. Press comment highlighting bid possibilities sparked fresh support for **Commercial Union** which put on 6 to 170p. Elsewhere in the Insurance sector, Lloyds broker **Hogg Robinson** attracted another lively business and touched a 1983 peak of 136p before closing without alteration at 131p.

The two Irish newcomers to the Unlisted Securities Market made successful debuts. **Woodchester Investments**, a Dublin-based office equipment leasing concern, opened at 183p and settled at 178p compared with the placing price of 165p. **Flogas**, placed at 61½p, opened at 66p and closed at 65p.

Breweries again met with increased demand and gains ranged into double-figures; dealers cited the forthcoming dividend season as the prime reason for the firmness. **Bass** were outstanding, rising 12 to 322p, while **Greenall Whitley** also attracted a brisk trade and closed 8 to the good at 111p. **Whitbread**, due to start the season with interim figures next Tuesday, added a few pence at 150p.

Interest in leading Building issues waned and quotations fluctuated narrowly. Net gains on the day were few, but **Crouch Group** firmed 4 to 82p on the announcement that Prowting Holdings had increased its stake in the company to 10.25 per cent. **BPB Industries** remained at 240p; the price was inadvertently shown as ex-dividend in yesterday's issue.

ICL dipped to 576p before closing a net 10 down at 578p following the cautious reception afforded the company's share listing in New York. Among other Chemicals, **Laporte** continued to attract support and rose 7 to 300p. Talk that around 400,000 shares had been put through the market on Monday prompted speculative demand for **Leigh Interests**, which jumped to 86p before closing a net 10 up at 84p. **Arrow** were quoted at 64p ex rights with the new nil-paid shares at 7½p premium.

Mellins dip and rally

Mr Touker Suleyman's **Mellins** fell steadily throughout the session and at one stage touched 47p which compares with this year's adjusted high, following the rights issue, of 240p; a reassuring statement from the company prompted a sharp rally late, however, and the close was only 8 lower on balance at 70p. **Kraft Productions**, widely rumoured as a "shell" operation, also slumped sharply and lost 35 to 120p, after 115p.

Leading Stores, buoyant recently on the prospect of increased pre-Christmas spending, paused for breath and closed a shade easier for choice. A notable exception was provided by **Gussies "A,"** which still benefiting for the confident tenor of the chairman's annual statement, rose 13 more to 583p. **Marks and Spencer** gave up a couple of pence at 211p awaiting today's half-timer. **Burton**, 347p, and **J. Hepworth**, 190p, both eased 3; the latter reports preliminary results today.

Strong and Fisher proved vulnerable again to profit-taking in the wake of the full-year results and shed 6 more to 71p.

Leading Electricals closed a penny or so better after initial easiness. **Pressac**, up 15 more at 165p, continued its re-rating since announcement last month of the preliminary figures. **Standard Telephone** encountered support at 255p, up 9, along with **International Signal**, 6 higher at 172p, but profit-taking left **Arlen** 9 off at 179p, after 175p.

Overlooked recently, leading Engineers made a distinctly better showing. **Hawker**, 310p, and **TI**, 142p, rose 6 apiece, while **GKN** closed 4 higher at 163p. **Babcock** put on 5 to 149p and **Delta** were noteworthy for a rise of 3½ to 58½p. Elsewhere, satisfactory preliminary results left **Martonair** 4 to the good at 236p. Dealings were temporarily suspended in **Meggitt Holdings** at 38p and **Birmingham Pallet** at 63p.

Among occasional movements in the Food sector, **Northern** attracted revived support and rose 4 more to 170p, while **Associated British Foods** hardened a couple of pence to 148p; the latter's interim results are due next Monday. **Dee Corporation** eased 2 to 316p following its hypermarket acquisition.

Hotels and Caterers traded firmly. **Queens Moat** hardened a fraction to 33½p following the £5.7m acquisition of the Hilton Hotel, Stratford-upon-Avon from Lex Service, while **De Vere** improved 3 to 278p on Press comment highlighting bid possibilities.

Metal Box good

Reflecting recent Press mention and yesterday's announcement of a new top management structure for the company, **Metal Box** encountered further support and rose 10 more for a two-day gain of 20 to 262p. Other leading Miscellaneous Industrials were usually only a few pence easier, but **Glaxo** came on offer late and ended 20 lower at 720p. A shake-out in some previous speculative favourites left **Inter-City**, 4½ lower at 38p, **Bellair**, 30 down at 600p, and **Polly Peck**, 2½ off at £23¾, after £23½, but **London and Liverpool** staged a contrasting movement to close 7 up at 54p. **Scott and Robertson** responded again to the interim results with a rise of 2 to 64p, while **Rank Organisation** closed 8 higher at 178p after news of the proposed sale of its Great Danes hotel.

Among Motor and Aircraft component manufacturers, **Flight Refuelling** announced interim results at the top end of market estimates and touched 211p before settling with a net gain of 14 at 207p. **Lucas** staged a late rally and closed 7 better at 148; the preliminary results are scheduled for next Monday. Attention elsewhere centred on **British Car Auction**, which added 4 to 204p following the 62 per cent full-year profits expansion, 100 per cent scrip issue and prospect of increased U.S. penetration.

The Property sector's recent strong run faltered yesterday. Leading issues were a shade easier initially, but picked up to register fresh highs for the year before subsequent profit-taking left quotations a few pence lower on balance. **MEPC** finished 4 off at 236p, while **British Land**, strong on Tuesday following news of its Greenly House lettings, gave up 1½ at 93½p. **Stock Conversion** slipped 5 to 283p. Selected secondary issues continued to attract support, notably **Greycoat City Offices**, 8 up at a high for the year of 140p, and **Property Security Investment**, 5 to the good at a 1983 peak of 109p. **Warner Estate** were in demand and gained 8 to 395p. **Fairview Estates** rose 7 to 130p following a reappraisal of the recent annual results, while **Marlborough** hardened a penny to 46p following the interim statement.

A Press report expressing the opinion that the Monopolies Commission will give the go-ahead to **Trafalgar House's** bid for **P & O** prompted firmness in both issues; P & O Deferred rose 6 to 232p, while Trafalgar closed a couple of pence dearer at 170p.

The continued weakness of the bullion price and domestic currency influences resulted in further double-figure falls among South African industrials.

Among Textiles, **Harold Ingram** reacted sharply to the general shake-out in speculative counters, and in a thin market, dipped to 190p before closing a net 37 lower at 198p.

Continuing thoughts that a change in Stock Exchange regulations could allow outside concerns to take larger holdings in member firms prompted further gains among the two quoted stockjobbers. **Akroyd and Smithers**, additionally bolstered by the forthcoming results, jumped 14 for a two-day gain of 42 to 467p, while **Smith Brothers** rose 4 to 57p.

The recently strong upward flurry in Irish oil shares came to an end yesterday as some speculators took profits. Quotations, however, finished above the worst, **Atlantic Resources** ending 55 lower at 700p, having been down to 670p at one stage. **Aran** touched 55p before settling 5 off on balance at 59p. Elsewhere, **Cluff** contrasted with a further rise of 18 to 103p, after 105p, in further response to the company's optimism about its exploration venture in the Yellow Sea.

Recently lifeless Teas attracted steady support stimulated by the buoyant commodity price at Monday's weekly auction in London, where prices attained the highest levels for over six years. **Eastern Produce**, 146p, and **McLeod Russel**, 195p, rose 9 and 8 respectively; the prospect of increased retail prices lifted **Brooke Bond** 3 to 73p.

Golds sink lower

Golds fell heavily in early trading in line with the lower bullion price and fears for the South African currency, which fell to a record level against the dollar.

The leading South African issues sustained losses of up to two points in initial dealings, and the Gold Mines index showed a decline of 27 points at one stage.

Bullion's steady recovery during the day, along with the progress by the rand and the generally firmer tone of U.S. markets, brought about a strong rally, cutting the falls in leading golds to a point or less by the close.

Western Deep Levels fared worst among the heavyweights with a decline of 1½ to a new low for the year of £25, while falls of around a point were common to **Randfontein Estates** at £69¾, **Buffels** at £27½, **Vaal Reefs** at £60 and **St Helena** at £30½.

The Gold Mines index was finally 444.6, a fall of 16.7 on the day and the lowest level since November 26 last year.

The bullion price closed at $377¾, a fall of $5¼, the lowest since August last year.

South African Financials were marked down in sympathy with Golds, as in "Johnnies," 3 lower at £72, and "Amgold," down 2¼ to £64. Diamonds also suffered, with "Anamint" 4 points off at £60 and **De Beers** losing 9 to 475p. In Platinums, falls of 20 were common to **Impala** at 740p, **Lydenburg** at 465p and **Rustenburg** at 610p as the platinum price failed to re-establish its customary premium over the gold price.

Elsewhere, **Homestake Mining** of the U.S. gave up ¾ to £17¼, and **Consolidated Murchison** were finally 25 lower at 395p.

London Financials sustained early falls, but recovered towards the close. **Gold Fields** were 7 lower at 463p, after 460p at one stage, and **Rio Tinto-Zinc** closed unchanged at 572p after dipping to 568p. **Hampton Areas** were unsettled by news of a large placing at 180p to finance the U.S. gold joint venture, and slid 15 to close at that level.

Australians were neglected, but picked up a little in line with the firmer bullion price and the good start on Wall Street.

Quieter conditions prevailed in Traded Options with the consequent contraction in volume. A total of 2,063 deals were struck with calls accounting for 1,542 and puts for 521. Speculation of a bid from U.S. sources prompted an active business in **Commercial Union** which recorded 467 calls with the January 180s and April 180s attracting 137 and 130 trades respectively.

FINANCIAL TIMES STOCK INDICES

	Nov. 1	Oct. 31	Oct. 28	Oct. 27	Oct. 26	Oct. 25	year ago
Government Secs.	82.34	82.07	81.70	81.75	81.94	81.60	65.80
Fixed Interest	85.16	84.86	85.16	84.80	85.10	84.62	66.17
Industrial Ord.	706.2	703.1	691.1	694.0	690.0	688.0	515.5
Gold Mines	444.6	461.3	475.8	479.3	509.3	527.1	406.5
Ord. Div. Yield	4.84	4.84	4.90	4.89	4.92	4.92	5.06
Earnings, Yld.% (full)	9.59	9.59	9.78	9.58	9.75	9.75	10.76
P/E Ratio (net) (*)	13.01	13.01	12.84	12.88	12.80	12.80	11.16
Total bargains	21,087	21,014	18,847	19,183	17,901	18,015	23,433
Equity turnover £m.	—	302.99	307.51	187.58	159.76	198.72	
Equity bargains	—	16,110	17,166	14,750	15,581	13,818	19,586
Shares traded (ml)	—	177.6	142.0	110.0	106.0	95.0	134.0

10 am 704.8. 11 am 703.8. Noon 705.0. 1 pm 705.6. 2 pm 706.5. 3 pm 706.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. Nil=12.24.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.50 (15/6)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	85.15 (28/10)	79.03 (1/2)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	740.4 (22/8)	598.4 (19/1)	740.4 (22/8/83)	49.4 (26/6/40)
Gold Mines	754.7 (15/2)	444.5 (1/11)	754.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 31	Oct. 28
Daily Gilt Edged Bargains	181.7	184.8
Equities Bargains	104.4	111.2
Value	410.1	418.8
5-day Avrge Gilt-Edged Bargains	135.2	140.1
Equities Bargains	96.3	93.3
Value	365.9	338.0

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Nov 1 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Oct 31 Index No.	Fri Oct 28 Index No.	Thur Oct 27 Index No.	Wed Oct 26 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (203)	[illegible]									
2 Building Materials (24)	[illegible]									
3 Contracting, Construction (29)	[illegible]									
4 Electricals (30)	[illegible]									
5 Engineering Contractors (10)	[illegible]									
6 Mechanical Engineering (59)	[illegible]									
8 Metals and Metal Forming (9)	[illegible]									
9 Motors (18)	[illegible]									
10 Other Industrial Materials (16)	[illegible]									
21 CONSUMER GROUP (196)	[illegible]									
22 Brewers and Distillers (23)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (13)	[illegible]									
27 Health and Household Products (9)	[illegible]									
29 Leisure (23)	[illegible]									
32 Newspapers, Publishing (15)	[illegible]									
33 Packaging and Paper (14)	[illegible]									
34 Stores (47)	[illegible]									
35 Textiles (20)	[illegible]									
36 Tobaccos (3)	[illegible]									
39 Other Consumer (9)	[illegible]									
41 OTHER GROUPS (84)	[illegible]									
42 Chemicals (15)	[illegible]									
44 Office Equipment (4)	[illegible]									
45 Shipping and Transport (14)	[illegible]									
46 Miscellaneous (49)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oils (13)	[illegible]									
59 500 SHARE INDEX	[illegible]									
61 FINANCIAL GROUP (124)	[illegible]									
62 Banks (6)	[illegible]									
63 Discount Houses (9)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (10)	[illegible]									
67 Insurance Brokers (7)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (54)	[illegible]									
70 Other Financial (18)	[illegible]									
71 Investment Trusts (108)	[illegible]									
81 Mining Finance (4)	[illegible]									
91 Overseas Traders (14)	[illegible]									
99 ALL-SHARE INDEX (750)	[illegible]									

FIXED INTEREST

PRICE INDICES	Tues Nov 1	Day's change %	Mon Oct 31	xd adj. today	xd adj. 1983 to date
British Government					
1 5 years	117.27	+0.09	117.16	—	9.87
2 5-15 years	131.65	+0.35	131.20	—	11.74
3 Over 15 years	141.09	+0.37	140.57	—	12.19
4 Irredeemables	149.96	+0.53	149.16	—	13.30
5 All stocks	129.82	+0.27	129.47	—	11.61
6 Debentures and Loans	105.95	+0.24	105.71	—	9.11
7 Preference	78.54	+0.21	78.38	—	4.82

AVERAGE GROSS REDEMPTION YIELDS	Tues Nov 1	Mon Oct 31	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 13,860

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −
[illegible]							

[illegible]

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (61)

BRITISH FUNDS (8)

Treas. 3pc 1985, Treas. 10½pc 1989, Treas. 8½pc 1984-86, Treas. 8¼pc 1987-90, Treas. 10¼pc Cv. '87, Treas. 11¾pc 1991, Treas. 9½pc Cv '83 (£60 paid), Exch. 12pc 2013-17

INTL. BANK & O'SEAS GOVT. STLG. ISSUES (1)

Sweden 13½pcLn 2010

COMMONWEALTH & AFRICAN LOANS (2)

N. Zealand 7½pc 1988-92, Do. 7½pc 1983-86

LOANS (1)

Inv. in Ind. 9pc 'A' 1991-94

FOREIGN BONDS (1)

Hydro Quebec 15pcLn 2011

[illegible]

NEW LOWS (64)

[illegible]

RISES AND FALLS

	Rises	Falls	Same
British Funds	81	1	18
Corpns. Dom. and Foreign Bonds	33	5	40
Industrials	312	183	899
Financial and Props.	119	59	347
Oils	18	30	69
Plantations	7	3	10
Mines	8	47	50
Others	64	44	61
Totals	641	432	1,486

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Oct 24	Nov 4	Jan 26	Feb 6
Nov 7	Nov 18	Feb 9	Feb 20
Nov 21	Dec 2	Feb 23	Mar 5

For rate indications see end of Share Information Service

Money was given for the call of Brockhouse, Mnemos, Combined Technologies, ICL, Hong Kong Land, Renold, Strong and Fisher, Lonrho, Bridgend Processes, Consultants (Computer and Financial), Aran Energy, Hawley, Cluff Oil, Inter-City, Wearwell, London and Liverpool, Polly Peck and Spear and Jackson. A put was done in London and Liverpool, while doubles were taken out in Aran Energy, London and Liverpool and Burmah.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
[illegible]		

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
[illegible]			

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of BUILDING SOCIETY RATES on offer to the public

For further details please ring 01-248 8000 Ext. 266

London Traded Options

Owing to technical problems, details from which to produce yesterday's London Traded Options table were unavailable.

MONTHLY AVERAGES OF STOCK INDICES

	Oct.	Sept.	Aug.	July
Financial Times				
Government Securities	81.62	81.02	78.57	80.21
Fixed Interest	84.69	83.26	82.24	83.14
Industrial Ordinary	692.5	703.3	724.4	697.9
Gold Mines	532.0	652.7	654.5	659.1
Total Bargains	18,519	19,905	19,624	20,102
F.T.-Actuaries				
Industrial Group	426.72	435.66	447.57	437.55
500 Share	472.37	485.69	496.67	480.97
Financial Group	289.08	297.12	302.69	298.37
All-Share 750	435.02	445.56	455.55	443.46

	Oct. High	Oct. Low
Industrial Ordinary	711.4 (5th)	677.6 (17th)
All-Share	446.59 (4th)	426.58 (19th)

† Corrected

LOANS—continued

Financial

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
97½	92	Inv in Ind 6¾pcDb'81-'84	95½xd	+½	6.54	11.10
106½	96¼	Do. 10½pcUnLn '86	102	+½	10.67	11.40
104	96½	Do 11pc Uns.Ln. '88	102	......	11.18	11.50
104½	97½	Do. 11¼pc Uns.Ln '90	103½	......	11.80	11.80
106½	91½	Do. 12¼pc Uns Ln 1992	105M	......	12.02	11.80
79¾	74½	Do. 7¼pc A Deb '89-92	79¾	......	9.54	11.60
77½	70½	Do. 7¼pcADeb. '91-94	76	+½	9.76	11.40
87½	80½	Do. 9% A '91-'94	87½	+½	10.45	11.25
86	72⅝	Do. 8¾pcLn. '92-97	85½	+¼	10.68	11.22

Building Societies

1983 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100⅛	98	N'wide 9⅞pc 28.11.83	100⅛xd	+⅛	9.86	9.65
100½	99⅛	Do. 11¼pc 19.12.83	100⅛xd	+⅛	11.22	9.74
100⅞	95	Do. 11⅞pc 23.1.84	100⅛	+⅛	11.84	10.01
100⅞	100	Do. 11⅞pc 11.2.84	100⅛	–⅛	11.82	9.98
100⅝	99	Do. 11¼pc 19.3.84	100⅛xd	......	11.24	10.01
100⅞	99⅞	Do. 11¼pc 9.4.84	100⅛xd	–⅛	11.17	9.50
100⅞	99½	Do 10¾% 30/4/84	100⅛xd	–⅛	10.62	9.32
100⅞	99⅞	Do 10⅞% 29/5/84	100⅛xd	......	10.79	9.47
100½	99½	Do. 10⅞pc 18.6.84	100⅛	+⅛	10.82	10.09
100½	99½	Do. 10⅝pc 9.7.84	100⅛	+⅛	10.53	10.12
100½	99¼	Do. 10⅞pc 30.7.84	100⅛	+⅛	10.82	10.28
100⅝	100⅛	Do. 11¼pc20/8/84	100⅝	......	11.22	10.65
100⅛	99⅞	Do. 11pc 3/9/84	100⅛	......	10.95	10.52

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

FT LONDON SHARE INFORMATION SERVICE

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

حركة أسعار الأسهم

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
60	15	♦Keen & Scott Hldgs	48	+1	M1.0	—	2.2	—
25	9¾	Keep Trust 5p	10¾	......	†0.15	—	‡	—
210	140	Kelsey Inds.	185	......	8.0	1.7	6.2	12.7
155	118	Kershaw (A.) 5p	130	......	‡15.0	[illegible]	‡	(8.8)
80	39	Kleen-E-Ze Hldgs.	70	−1	3.0	0.5	6.1	—
101	52	L.C.P. Hlds	56	......	1.6	1.7	6.0	(8.4)
32	14	LDH Group	27	......	—	—	—	♦
132	93	L.R.C. Int. 10p	108	......	h2.95	2.3	1.9	14.1
34	17	Lamont Hldgs. 10p	32xd	......	†1.3	1.6	5.8	12.6
41	26	Lawtex	41	+1	—	—	—	♦
480	345	Lep Group 10p	460	......	17.5	0.6	5.4	63.8
36	22	Lilleshall 10p	36	......	d1.0	—	4.0	—
350	39	Lon. & Liv. 10p	54	+7	h2.75	3.5	7.3	4.8
135	97	London & Mid'd	107	......	7.75	1.1	10.3	12.0
*110½	38	Lon. & Nthn. Grp.	64	−1	F4.2	2.9	9.6	8.8
40	23	‡Lon. Prv. Health	23	......	—	—	—	11.5
65	46	Longton Inds.	55	......	1.0	—	2.6	—
120	70	Low & Bonar 50p	106	......	†5.8	2.8	6.7	(6.0)
48	32½	MCD Group	44½	......	u1.0	2.2	3.2	20.3
87	62	♦MMT Computing 5p	82	......	b1.68	2.6	2.9	19.1
26	16	M.Y. Dart. 10p	23xd	+2	20.25	—	1.6	—
212	134	McC'rthy Ph. 20p	146	......	7.0	2.7	6.8	6.9
148	128	Macfarlane Gp.	137	+1	†3.52	2.1	3.7	16.8
46	33	Maclellan 20p	34	......	d1.5	1.6	6.3	12.2
63	36	Macpherson (D.)	40	+1	4.2	0.6	15.0	(3.1)
56	41	Magnolia Group	54	......	2.3	3.2	6.1	6.3

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—continued

Australians

Tins

Miscellaneous

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 29

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

Authorised Units—continued

Atlanta Unit Trust Managers Ltd.
1 Founders Ct, Lothbury, EC2. 01-600 8664

Jap & Far East	—	50.0	....	1.0

Baillie, Gifford and Co Ltd
5 Glenfinlas St, Edinburgh. 031-225 2581

JapExOct26	136.0	145.0	....	0.34
IntEx*Oct19	225.8	221.1	....	1.26
BGPsPnt†313	214.2	225.5	....	—

†Next dealing day.
*Unauthorised.

Equity & Law Un Tst Mngrs (a) (b) (c)
Amersham Rd, High Wycombe. 0494 33377

Euro Tst Acc	61.6	66.2xd	−0.2	1.43

Robert Fleming & Co Ltd
8 Crosby Square, EC3A 8AH. 01-638 5858

AmExFd*	£257.53	265.51	−13.29	0.89
JapExFd*	£159.26	164.85	+1.50	1.18

Next subscription day Nov 18 1983
*Fleming American Property Unit Trust.
Latest issue price (13/11) US$10.621.
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust.
Latest issue price (29/9) £2.070.
Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mngrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2020

Gilt & Fixed	114.0	119.1	+0.3	9.78
Growth Eq	97.9	105.5	+0.0	2.60
Guardhill	178.4	104.8	+0.4	5.43
Nth Amer	92.9	99.9xd	−0.2	2.88
Pacific	102.5	110.0	−0.4	2.12
Prop Shares	101.9	109.6	+2.2	2.16
Smaller Cos	104.6	112.7	+0.7	1.08

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier NT Admin, 5 Rayleigh Rd, Hutton, Brentwood, Essex. 0277-227300

SmllrCosTst	50.5	53.2	+0.2	4.43
Nth Amer	47.7	50.2	−0.3	1.77
Japan Far Tst	52.0	59.6xd	−0.3	1.21
ScandinvaTst	46.6	51.4	−0.4	1.40

Hexagon Services Ltd
4 Gt St Helens, London EC4F 3EP. 0708 45322

Austin Frs	106.4	112.1	+1.9	2.40
Brewin Cap	79.1	83.3	....	0.62
Brewin Int	72.0	75.8	....	4.15
Canada Grw	106.9	115.0	....	0.99

Lawson Fund Managers Ltd (a) (c) (g)
43 Charlotte Sq, Edinbgh 2. 031-225 8001

Charitt Sq Fd	50.1	52.1	....	5.0
Pen Sh Fd	13.2	14.2	+0.5	1.0

Aust & Pac	8.0	8.8	....	0.5
High Yield	19.5	21.0	....	10.4
Do Accum	20.0	22.1	....	10.4

MGM Unit Managers Ltd
MGM House, Heene Road, Worthing. 01-623 8211

High Inc	120.6	120.7xd	+0.5	6.77
(Accum Uts)	126.3	135.8xd	+0.5	6.77
UK Growth	117.0	125.8xd	−0.3	5.26
(Accum Uts)	118.7	127.6xd	−0.1	3.28

MLA Unit Trust Management Ltd
Old Queen St, SW1A 9JG. 01-222 8576

MLA Uts	183.0	192.1	+5.8	2.79
MLA Int	27.9	29.2	+0.2	0.86

The Money Market Trust
05 Qn Victoria St, EC4N 4ST. 01-236 0952

Call Fund	—	—	....	8.01
7 Day Fund	—	—	....	9.07

*Unauthorised—Sterling Deposit Fund.

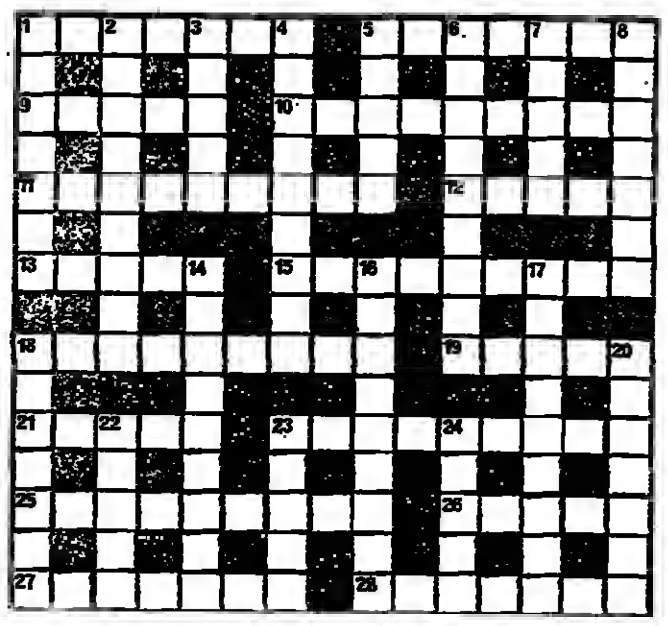
Scottish Unit Managers Ltd
29 Charlotte Sq, Edinburgh. 051-220 4377

Pacific Fund	24.9	27.0	−0.1	0.30
N Amer Fd	23.9	25.9	....	0.37
World Growth	22.6	34.7xd	....	2.42
Income Fund	23.4	25.3xd	−0.4	5.02

Offshore and Overseas—continued

Insurances—continued

F.T. CROSSWORD PUZZLE No. 5,258



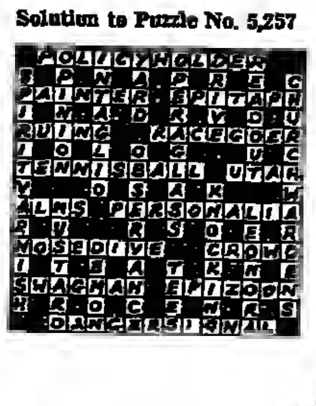
ACROSS

1 Rubbish where flowers should be? Someone's overslept! (4, 3)
5 Money that is found in golf club (7)
9 Old god gives thanks, coming into money (5)
10 River rose bursting bank (9)
11 Former celebration upset me and I prayed (9, 3)
12 Something to do with lips for money (5)
13 Sort of charge producing death with change of heart (5)
15 South-East Asian eating some delicacies in other words (9)
18 Not altogether in a prejudiced manner (9)
19 March man is thus followed by America (5)
21 Sounds horn as an endearment? (5)
23 It will soak the rich and exalt what is in disarray (6, 3)
25 Pachyderm takes more than half the space for a flask (3, 9)
26 Money is the bait — about a cent (5)
27 Metal bird in old abbey (7)
28 Contrasting colours in Archangel etc.? (3, 4)

DOWN

1 Nevertheless take care of the stub (4-3)
2 Money, not coin — ditto — is likely to be enveloped (9)
3 Law observed in Downing Street (5)
4 Inclined to dread wickedness? Certainly not! (4-5)
5 Ship held by lad of authoritarian character (5)
6 A harvest on poor soil in old citadel (9)
7 Traces of old money, not having much of it (5)
8 Serious listener at home? (7)
14 Greets quality with a drop from above (9)
16 Sailor in towel? He deals in gums etc. (3-6)
17 Lobsters etc. — put bread winner first (9)
18 Cooking vessel's heated by casual attempt (3-4)
20 Worry for a football team? Could be yet (7)
22 Painter or writer (5)
23 Roused by warrant officer with knowledge (5)
24 Wearing a hat as a surround? (5)

Solution to Puzzle No. 5,257



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man Fd	233.44		.....	—
Managed Inv Fd	157.35	165.64	.....	—
Property Fd	151.07	159.03	.....	—
Fixed Interest Fd.	147.14	154.89	.....	—
Cash Fd	135.95	143.31	.....	—
Income Fd	171.47	180.50	.....	—
Extra Income Fd.	162.17	170.71	.....	—
Worldwide Growth Fd.	231.62	243.82	.....	—
Balanced Fd	172.42	181.50	.....	—
Smir Co's & Recy. Fd	203.25	213.95	.....	—
Int. Technology Fd	270.97	285.24	.....	—
Nth Amer & Gen. Fd	170.18	179.14	.....	—
Energy Int. Fd	107.69	113.36	.....	—
Pacific Basin Fund	132.41	139.38	.....	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	111.9	117.8	.....	—
Property	109.9	115.7	.....	—
Equity	112.9	118.8	.....	—
International	127.3	134.0	.....	—
Fixed Interest	101.5	106.8	.....	—
Deposit	99.4	104.6	.....	—
Managed Pen. Cap.	112.2	118.1	.....	—
Property Pens. Cap.	109.6	115.3	.....	—
Equity Pens. Cap.	106.6	112.2	.....	—
Intnl Pens. Cap.	132.6	139.5	.....	—
Fixed Int. Pens. Cap.	99.0	104.2	.....	—
Deposit Pens. Cap.	97.3	102.4	.....	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Sept 29		94.5	.....	—
Retmt. Fed Aug 6		258.4	.....	—
Managed Pen Fund	177.0	186.3	.....	—
Property Pen Fund	114.0	120.0	.....	—
Index Lnkd Pen Fund	111.6	117.4	.....	—
Managed	119.0	125.3	.....	—
Property	104.0	109.5	.....	—
Gilt and Fixed Interest	106.6	112.3	.....	—
Index-Linked	98.3	103.5	.....	—
Equity	116.6	122.8	.....	—
Cash	103.9	109.4	.....	—
Midland Bk. Unit Tst.	116.0	122.2	.....	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	122.9	129.4	-0.1	—
GT Pln High Yld Fnd	116.4	122.6	+1.6	—
GT Plan Far East Fnd	112.4	118.4	.....	—
GT Plan N. Am Fd	133.1	140.2	-1.4	—
GT Pln UK&G.E. Fnd	130.0	136.9	+0.8	—
GT Pln Wrldwde Fnd.	131.3	138.3	-1.2	—
GT Pension Bnd Fnd.	132.3	139.3	+0.1	—
GT Pen High Yld Fd	131.9	138.9	+1.9	—
GT Pen Far East Fd	136.4	143.6	.....	—
GT Pen N. Am. Fd	191.3	201.4	-2.8	—
GT Pen UK & G.E. Fd	150.1	158.1	+2.5	—
GT Pen Worldwide Fd.	139.5	146.9	-1.5	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166.9	175.7	.....	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.	246.2	—	.....	—
Portfolio Fd. Inc.		202.0	.....	—
Portfolio Fd. Cap.		235.0	.....	—
Investment A uts	246.1	259.1	.....	—

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd	266.9	281.2	.....	—
Money Fd	155.3	163.5	.....	—
Equity Fd	224.4	236.5	.....	—
Fixed Int. Fd	117.1	123.4	.....	—
Property Fd	172.1	181.3	.....	—
Managed Pen. Fd	246.6	259.8	+2.5	—
Equity Pension Fd	177.7	187.3	+1.0	—
Fixed Int. Pen. Fd	164.2	173.0	+1.3	—
High Yield Pen. Fd	162.0	170.7	+1.0	—
Money Pension Fd	128.1	134.9	+0.2	—
Property Pension Fd	127.3	134.1	.....	—

Gresham/Framlington

American & Gen. Fd	249.3	262.7	-0.5	—
Income Fd	178.0	187.6	+0.5	—
Int'l. Growth Fd	265.5	279.8	-0.6	—
Capital Fund	188.9	199.0	+0.7	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

World cocoa surplus likely

BY RICHARD MOONEY

A MODEST world cocoa production surplus is likely in the 1983-84 season, according to a market report published today by Gill and Duffus, leading London cocoa traders.

Output is forecast to rise by 130,000 tonnes above the 1982/83 total while most of the potential rise in consumption, reflecting the recovery in consumer spending, is forecast to be counteracted by higher chocolate prices.

Set against the estimated 101,000 tonnes production deficit sustained in 1982/83, Gill and Duffus forecasts this will result in "a small net addition to world stocks."

While accepting that this assessment implies that the market is likely to fall further over the coming months, Gill and Duffus sounds a strong note of caution. Pointing out that major crop prospects remain far from settled it adds, "those who can hold their breath a little longer yet might be well advised to do so."

The report includes an estimate for output in the Ivory Coast, the world's biggest cocoa producer, which is close to the top of the range of recent trade estimates. It puts the main crop at 400,000 to 430,000 tonnes compared with 325,000 tonnes last year and earlier assessments as low as 300,000 tonnes.

The Brazilian main crop is also predicted higher than in 1982/83 at 145,000 to 155,000 tonnes against 127,000 tonnes. But main crops in other leading producing countries are forecast lower. Ghana's is put at 125,000 to 140,000 tonnes, down from 177,000, Nigeria's at 140,000 to 150,000 tonnes (152,000) and Cameroun's at 95,000 to 105,000 tonnes (102,000).

Mid crops are expected to be generally higher after being so poor last year and increased output is expected in some minor producing countries, especially Malaysia.

Cocoa futures prices on the London market have traded in a fairly narrow range recently, despite the publication of wildly varying estimates of Ivory Coast production.

London cocoa futures eased back yesterday on speculative selling with the March position finishing £16 below Friday's close at £1,425.50 a tonne.

Price of sugar continues to slide

By Richard Mooney

WORLD SUGAR prices fell yesterday for the seventh successive trading day. As favourable weather continued to improve crop prospects, the London daily raws price was marked down another £5 to £135 a tonne. This was the lowest level for six months and took the fall in the last three weeks to £35 a tonne.

Late plantings and widespread lack of rainfall early in the season had led to expectations of a sharp fall in world sugar production and a reduction of more than 3m tonnes in stocks. But in the face of much improved conditions the expected stocks draw-down has been cut back to 1m tonnes or less by most analysts.

World sugar consumption in 1983-84 will rise 2 per cent from the 1982-83 level of 92m tonnes, Mr Peter Buzzanell, an economist at the U.S. Agriculture Department's Foreign Agriculture Service, said yesterday, reports Reuter.

He estimated world sugar stocks at 46.1m tonnes in August 1984, up from 43.3m a year earlier.

Rise in aluminium prices predicted

BY JOHN EDWARDS, COMMODITIES EDITOR

A RISE in aluminium prices next year was forecast by two separate sources yesterday. But both warned that if high price levels were maintained, aluminium faced a threat of losing sales to cheaper, substitute, raw materials.

Hargreaves and Williamson, London metals research unit of Shearson/American Express, in a special report on the outlook for aluminium forecast that the price of ingots would reach a peak of $1 a pound (equivalent to £1,470 a tonne at current exchange rates) next year.

Average price for 1984 is put at 85 cents (£1,250) against a 1983 average of 67 cents (£980).

The report said that a "squeeze" on aluminium supplies could develop by the end of 1984 unless prices rose sufficiently high to encourage the re-opening of idle production capacity, especially in Japan.

However, it added that the very strength of the aluminium price could be its downfall as consumption was likely to switch over to alternative materials.

This could create a glut of aluminium supplies and a fall in prices during the second half of the decade.

Mr Christopher Stobart, of Commodities Research Unit, painted a similar picture for aluminium at a commodity seminar organised by London stockbrokers, de Zoete and Bevan.

Estimates by Commodities Research Unit predict that consumption of aluminium will rise to 11,824,000 tonnes this year (against 10,779,000 in 1982) and move further ahead to 12,490,000 tonnes in 1984.

Production this year is put only marginally up at 10,975,000 tonnes but is expected to jump to 12,039,000 tonnes in 1984.

Mr Stobart, however, forecast only a modest rise in price next year and said aluminium companies would then be faced with the choice either of sustaining prices and profits, or seeking to defend market share by reducing prices as the disparity with other materials widened. Initially he thought they would go for profitability.

Mr Stobart said the outlook for both copper and nickel remained depressing. So far the recovery in demand had been confined to consumer durable rather than the capital goods.

In spite of the lowest prices (in real terms) since the 1930s state-controlled copper companies, who provided 42 per cent of non-Communist world output, had maintained production levels.

The main brunt of production cuts had been borne by North American producers, who had now reduced their costs and in some cases resumed output.

Although China had bought at least 250,000 tonnes this year, supplies were likely to continue exceeding consumption.

There would, therefore, be no significant increase in prices next year and copper might miss out on the economic recovery entirely.

Mr Stobart saw little prospect for a price recovery for nickel either. He said nickel producers, who had cut production sharply in 1982, were learning to live with lower prices, and stocks were rising again as supply continued to outpace the slow growth in consumption.

New LME silver contract gets off to a slow start

THE NEW London Metal Exchange silver contract, with lots of 2,000 ounces, got off to a slow start yesterday. Turnover was only 42 lots on the "ring" and 10 off the ring, writes John Edwards.

However, at present trading is confined to a first delivery date three months ahead, so the market will not become fully operational until the beginning of February. The LME 10,000 ounce lot silver contract will continue to be traded until existing "open" positions are closed.

Silver prices yesterday dipped to the lowest point for nearly a year following a decline in New York overnight. The London bullion spot quotation was cut by 23.95p to 560.25p a troy ounce, compared with 751p a month ago. However, the market rallied in the afternoon to close at 574p.

A rise in silver prices is forecast in the Annual Silver Review and Outlook report just published in New York by precious metals dealers J. Aron, a division of Goldman Sachs. The report claims that both the supply/demand situation and economic prospects suggest that all precious metals are oversold and undervalued.

Farm land values at record levels

By Our Commodities Staff

ENGLISH agricultural land with vacant possession cost a record average £4,829 per hectare in the three-month period to the end of September. The figures are based on 320 reported sales covering 11,991 hectares.

This indicates a continuing modest increase in vacant possession values—from £4,710 per hectare in the previous quarter, and £3,999 in the third quarter of last year.

● CHINA'S record 1983 grain harvest means it should be able to cut down further on grain imports, say Western agricultural experts. Current production estimates show that China is unlikely to fulfil its long-term grain pact with the U.S. next year.

● REDUCED supplies and higher prices should boost U.S. spring and summer potato plantings.

● BLUE VINNEY cheese made on the Ashley Chase estate in Dorset will be available in the shops from this week. It has not been available commercially for 15 years.

● OLIVE OIL imports into Italy rose to 91,598 tonnes in the first seven months of 1983, a 160.4 per cent increase on the same period last year.

● THE U.S. is reviewing its estimate of the Soviet cotton crop following recent Russian statements that it would probably fall below the 13.5m bales U.S. estimate.

● TANZANIA will start producing latex in three years, hoping to save $17m a year. Planting of rubber trees began in 1981.

● MALAYSIA'S 1984 rice imports are forecast at 336,000 tonnes compared with 352,000 tonnes this year.

Sunnier forecast for U.S. farmers

Nancy Dunne looks at price and crop prospects for next year

THE EXPENSIVE payment in kind (Pik) acreage reduction programme of 1983 and the summer's drought have brightened short-term prospects for U.S. farmers next year, the Department of Agriculture reported at its annual World Agricultural Outlook conference this week.

Although costs are expected to rise next year, so are prices. On balance, farmers' 1984 net farm income could exceed the $24bn-$26bn level expected for this year.

The trade outlook, however, is mixed. The Department says that with improved world economies, foreign grain demand will rise. But competition will be stiff and the department has yet to wring an agreement out of the Office of Management and Budget for anything like the $9bn it had hoped to offer in export credit guarantees.

Mr Daniel G. Amstutz, USDA under-secretary for international affairs, said that while the value of U.S. farm exports was expected to rise to about $39bn in fiscal 1984, foreign sales were actually hindered by U.S. farm programmes.

"When U.S. price supports are above world market levels, competitors can establish prices just below those in the U.S. and capture markets," he said. "The appreciation of the dollar has enhanced this advantage."

Mr Amstutz produced the following forecasts for major export commodities.

● Wheat and Flour. Global import demand is expected to be larger, with stronger demand anticipated in North Africa. Australia, with a record wheat crop, is expected to intensify its marketing efforts.

● Coarse grains: In contrast to wheat, there may be less competition in this market in the early part of the season because of smaller crops and reduced export availabilities in South Africa and the EEC. However, southern hemisphere production is expected to be stimulated if prices remain strong.

● Oilseeds. U.S. exports of oilseeds and products in fiscal 1984 are forecast at 27.4m tonnes, down a fifth from last year as a result of reduced supplies. Harvests in the southern hemisphere next spring will be an important key to ultimate U.S. sales. Producers in Brazil and Argentina are expected to plant record acreages as a result of the strong prices.

Beef and veal output up

BEEF AND VEAL production in the UK is expected to rise to more than 1m tonnes next year, the highest level since 1980. But total supplies will be down because of record exports and falling imports, according to a report published yesterday.

The Meat and Livestock Commission said beef and veal production is expected to rise 6 per cent this year and a further 3 per cent next year.

Despite increased home production, total supplies of beef and veal will be down by about 2 per cent because imports are unlikely to exceed 190,000 tonnes, their lowest ever, and exports are expected to reach a record level of more than 170,000 tonnes.

Home production of mutton and lamb is expected to rise 6 per cent this year to 281,000 tonnes and by a further 4 per cent in 1984.

Imports are expected to remain at a low level and are likely to be about 22 per cent down on 1982. Exports of mutton and lamb could top 50,000 tonnes this year, a third more than in 1982.

PRICE CHANGES

In tonnes unless stated otherwise	Nov. 1 1983	+ or −	Month ago
Metals			
Aluminium	£1050	......	£1050
Free Mkt	$1545/1575	......	$1650/80
Copper			
Cash h grade	£930.5	−0.5	£965.5
3 mths	£952.75	−1.0	£989.75
Cash Cathode	£910.75	−1.25	£942.5
3 months	£932.5	−2	£967.75
Gold troy oz	$377.625	−5.25	$394.375
Lead Cash	£270.875	−1.25	£269
3 months	£280.75	−1	£278.75
Nickel	£4646.54	......	£4646.54
Free mkt	215/235c	......	205/225c
Palladium oz	$149.50	−1	$157.25
Platinum oz	£254.00	−1.95	£269.19
Quicksilver	$320/330	......	$310/330
Silver troy oz	560.25	−23.95	706.60p
3 mths	572.85	−24.55	723.40p
Tin cash	£9592.5	+7.5	£8485
3 month	£8667.5	+6.5	£8570.5
Tungsten	$85.78	......	$77.38
Wolfr'm 22.04 lb	$74/79	−1.5	$79/83
Zinc Cash	£571.5	−7.75	£551.5
3 mths	£585.0	−19	£567.25
Producers	$925	......	$880

	Nov. 1 1983	+ or −	Month ago
Oils			
Coconut (Phil)	$885.0y	−5	$910
Groundnut	‡	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$650v	−10	$680
Seeds			
Copra Phil	$580x	......	$600
Soyabean (U.S.)	$327.25	−5.25	$343.75
Grains			
Barley Fut. Jan	£119.10	−0.20	£121.20
Maize	£146.00	......	‡
Wheat Fut. Jan	£123.20	−0.20	£124.25
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1493.5	−16	£1554.5
Fut. March	£1425.5	−16	£1471.5
Coffee Ft. Jan.	£1861.5	+18.5	£1842
Cotton A. Index	88.90c	+0.10	87.15c
Gas Oil, Nov.	$255.50	+1.25	$246
Rubber (kilo)	78.00p	−0.5	77.5p
Sugar (Raw)	£135	−5	£167
Woolt'ps 64 s.	401p kilo	......	400p kilo

‡ Unquoted. u Dec. v Jan. x Dec-Jan. y Nov-Dec. † Per 76 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.45-28.55	−0.07
Iranian Light	27.90-28.00	−0.05
Arabian Heavy	26.40-26.55	−0.10
North Sea (Forties)	29.40-29.45	−0.10
North Sea (Brent)	29.50-29.65	−0.08
African Bonny L'ht	29.70-29.80	−0.07
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	294-298	—
Gas oil	261-258	—
Heavy fuel oil	170-174	—

GAS OIL FUTURES

The All Saints' Day holiday kept activity light throughout the day. The market traded in a very narrow range up to $1.50 above last night's close, where it met good trade selling.

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Nov	253.50	+1.00	254.00-53.25
Dec	255.50	−1.25	255.75-55.00
Jan	255.75	+1.00	256.00-55.25
Feb	254.50	+2.00	254.50-53.75
Mar	249.25	+1.25	249.25-48.50
April	245.00	+1.25	245.00-43.75
May	244.50	+1.00	—
June	244.50	+1.00	—
July	242.00	—	242.00

Turnover: 1,258 (769) lots of 100 tonnes.

GOLD MARKETS

Gold fell $5¼ to $377¼-378 on the London bullion market. It opened at $377-377¾, and was fixed at $376 in the morning, and $377¾ in the afternoon. The metal drifted to a fairly quiet close after touching a best level of $378.10-378.60, and a low of $374½-375.

In Frankfurt the 12½ kilo gold bar was fixed at DM 32,085 per kilo ($377.01 per ounce), compared with DM 32,465 ($384.51), and closed at $377¼-377¾, against $381½-382½.

In Zurich gold finished at $376-379, compared with $382½-383.

Other major European centres were closed for a religious holiday.

LONDON FUTURES

Month	Yest'rday's close	+ or −	Business Done
	$ per troy ounce		
Nov	378.00-81.00	−3.0	—
Dec	380.20-80.50	−6.15	380.60-77.30
Feb	386.50-86.60	−4.95	386.00-85.60
April	392.50-93.50	−5.0	391.00-91.00
June	398.50-40.00	−5.25	—
Aug	404.50-08.50	−5.50	—

Turnover: 861 (499) lots of 100 troy ounces.

	Nov. 1		Oct. 31	
Gold Bullion (fine ounce)				
Close	$377¼-378	(£252¾-253¼)	$382½-383¼	(£256-256½)
Opening	$377-377¾	(£252½-253)	$383¼-384	(£257-257½)
Morning fixing	$376.0	(£251.569)	$383.5	(£256.573)
Afternoon fixing	$377.75	(£252.976)	$382.0	(£255.570)

Gold Coins Nov. 1					
Krugrnd	$389½-390	(£262¼-262½)	King Sov	$90½-92	(£60½-61½)
½ Krg	$200½-201¼	(£135-135½)	Victoria Sov	$90½-92	(£60½-61½)
¼ Krg	$102¼-103	(£68¾-69¼)	French 20s	$70½-72½	(£47½-48½)
1/10 Krug	$41¾-42¼	(£28-28½)	50 pesos Mex	$456-458	(£307-308½)
Mapleleaf	$389¼-389¾	(£262-262½)	100 Cor. Aust	$365-369	(£245¾-248½)
New Sov	$88¾-89½	(£59¾-60¼)	$20 Eagles	$535-545	(£360¼-366¾)
½ New Sov	$53¼-54	(£35¾-36¼)			

EUROPEAN MARKETS

ROTTERDAM, Nov 1

Wheat—(U.S. $ per tonne): U.S. Two Red Winter Nov 159, Oct 161, Jan 161.50, Feb 163.50, March 164: U.S. Northern Spring 14 per cent protein Nov 188, Dec 188, Jan 192, Feb 193, March 194; U.S. Three Amber Durum Nov 203, Dec 206, April-May 209; Canadian Western Spring Nov 20-Dec 20 208.

Maize—(U.S. $ per tonne). U.S. Three Yellow Afloat 164-161.50, Oct 101.50, Nov 160.50, Dec 160, Jan-March 160, April-June 160 sellers: Argentine Plate Afloat 170, Nov 174 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Nov 321.75, Dec 323.25, Jan 327.25, Feb 331.50, March 335.25, April 336.50, May 337.50, Oct 266.50, Nov 266, Dec 269.75, Jan 214 sellers; Argentine Afloat 317.50 sellers.

Soyameal—(U.S. $ per tonne). 44 per cent Afloat 258, Nov 262, Dec 266, Jan 274, Nov-March 271, Dec-March 272, Jan-March 274, April-Sept 268 sellers, after Dec 266, Jan 272-273, Dec-March 272, Jan-March 273 traded; Pellets Brazil Afloat 280, Nov 287, Dec 291, Jan 300, Nov-March 296, Jan-March 293, April-Sept 274 sellers; Pellets Argentine Afloat 271, Oct 272, Nov 274, Dec 280, Jan 283 sellers.

BRITISH COMMODITY PRICES

BASE METALS

BASE METAL prices opened generally weaker on the London Metal Exchange in line with the sell-off in precious and base metals in the U.S. the previous night, but rallied during the afternoon trading before dipping towards the close as sterling weakened. Copper reached a high of £964 before closing at £950. Lead was finally £282 as speculative selling was met by good trade buying. Zinc closed at £589, Aluminium at £1,050 and Nickel at £3,205. Tin saw heavy volumes traded, as usual at the beginning of a month, and was supported at the £8,660 level.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	923-4	+0.25	930-1	−0.5
3 months	945.5-6	+0.25	952.5-3	−1
Settlem't	924	+0.5	—	......
Cathodes				
Cash	905-6	+2	910.5-1	−1.25
3 months	926-7	+0.5	932-4	−9
Settlem't	906	+2	—	......
U.S. Prod.	—	—	*68-73	......

Amalgamated Metal Trading reported that in the morning higher-grade cash copper traded at £923, 23.50. Three Months £947, 48, 49, 50, 51, 50, 49, 48.50, 48, 47.50, 48.50, 47, 48, 48.50, 47, 46.50, 46, 45.50. Cathodes: Cash £904. Three Months £926. Kerb: High Grade: Three Months £945.50. Afternoon: Higher Grade: Three Months £952, 53, 52.50, 52, 53.50, 53. Kerb: Higher Grade: Three Months £953, 54, 53.50, 53, 52, 51, 51.50, 50, 49, 49.50, 50. Turnover: 48,775 tonnes.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	9730-40	−10	9740-5	−17.5
3 months	8710-5	−2.5	8712.5	+1
Settlem't	8740	+10	—	......
Standard				
Cash	8576-8	−4	8590-5	+7.5
3 months	8660-2	+0.5	8665-70	+6.5
Settlem't	8578	−4	—	......
Straits E.	$30.01	−0.08	—	......
New York				

Morning: Standard: Cash £8,580, 76, 77. Three Months £8,665, 68, 70, 65, 62. High Grade: Three Months £8,720, 15. Kerb: Standard: Three Months £8,662. Afternoon: Standard: Three months 15. Kerb: Standard: Three months £8,670, 80, 75, 70, 65. High Grade: Three months £8,115, 20, 15, 12, 13. Kerb: Three months £8,665. Turnover: 1,272 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	273-.5	+3.82	270.75-1	−1.25
3 months	281.75-2	+3.75	280.5-1	−1
Settlem't	273.5	+3.75	—	......
U.S. Spot	—	—	*25.9	......

Afternoon: Three Months £282, 91, 80.50. Kerb: Three Months £281.50. Turnover: 8,575 tonnes.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
Cash	572-.5	−1.62	571-2	−1.75
3 months	586-.6	−7.5	585-6	−12
Settlem't	573	−1.25	—	......
Primw'ts	—	—	*46-.75	......

Morning: Three Months £587, 86.50, 86, 85.50, 85, 84, 83, 82, 81, 81.50, 82, 82.50, 83, 84, 86, 86.50, 87. Kerb: Three Months £586, 87, 88. Afternoon: Three Months £589, 88, 87, 86.50, 86, 85.50, 85. Kerb: Three Months £587, 97.50, 87, 88. Turnover: 13,100 tonnes.

ALUMINIUM

Aluminium	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	1020-1	−0.25	1024.5-5.5	−1
3 months	1047-.5	—	1051.5-2.5	−0.75

Morning: Three Months £1,044, 45, 46, 47, 48, 49, 48, 47.50, 47, 46.50, 47.50. Kerb: Three Months £1,046.50, 47, 48, 49. Afternoon: Three Months £1,053, 54, 53, 52, 51, 50.50, 50, 51, 51.50, 52, 53, 52.50, 52. Kerb: Three Months £1,054, 53.50, 53, 52, 50. Turnover: 15,350 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	3096-9	−15	3111-3	−10.5
3 months	3173-8	−14	3186-90	−6

Morning: Three Months £3,170, 75, 80, 78, 75, 77, 75, 74, 72. Afternoon: Three Months £3,180, 85, 87, 90. Kerb: Three Months £3,190, 95, 3,210, 3,205. Turnover: 2,658 tonnes.

* Cents per pound. ‡ M$ per kilo. † On the previous unofficial close.

SILVER

Silver was fixed 23.95p an ounce lower for spot delivery in the London bullion market yesterday at 560.25p. U.S. cent equivalents of the fixing levels were: spot 837c, down 37c; three-month 857c, down 37.7c; six-month 877.9c, down 38.4c; and 12-month 919.9c, down 38.5c. The metal opened at 566-568p (846-850c) and closed at 573-575p (855-859c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	560.25p	−23.9	575p	−7.75
3 months	572.85p	−24.5	588.25p	−8.25
6 months	586.05p	−25.3	—	......
12 months	612.55p	−26.4	—	......

LME Silver (2,000 ounce contract)—Three Months: 587.5p. Turnover: 42 lots.

Turnover 51 (49) lots of 10,000 ozs. Morning: Large Contract Three months 575.0, 74.5, 75.0. Small Contract Three months 577.0, 76.0, 75.5. Kerbs: Three months Large 575.0, 74.0. Small 574.5. Afternoon: Large Three months 587.0, 88.0, 87.0, 87.5, 88.0. Small Three months 588.0, 87.0. Kerb: Three months Large 585.0, Small 588.0.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, min 99.6 per cent, $ per tonne, in warehouse 1950-1990.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 1.65-1.80.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 0.72-0.76, sticks 0.74-0.78.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 5.50-5.60.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 322-328.

MOLYBDENUM: European free market, canned molibdic oxide, $ per lb Mo, in warehouse 3.75-3.85.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse 4.15-4.80.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 73-73.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 1.87-1.95.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam 1,750.

BISMUTH: UK: MCP Peko, 99.99 per cent, $ per lb, tonne lots, ex-warehouse 2.30.

COBALT: World, Zaire: Sozacom, $ per lb 12.50.

NICKEL: World, Inco, melting grade, $ per lb, c.i.f. Far East and America, delivered rest of world 3.20.

URANIUM: Nuexco exchange value, $ per lb U_3O_8 24.00.

VANADIUM: Highveld fused min 98 per cent V_2O_5, $ per lb V_2O_5, cif 2.30.

ZINC: GOB producer basis, $ per tonne 925.

COCOA

Following a steady opening futures held the levels until the afternoon session when levels eased quickly to close at the lows. There was little activity in the physical front and apart from second hand products trading the tone was muted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Dec	1418-19	−10.0	1446-17
March	1425-26	−18.0	1448-22
May	1438-39	−22.5	1460-36
July	1449-50	−23.0	1472-49
Sept	1462-63	−23.0	1480-72
Dec	1477-83	−20.0	1492-80
March	1492-05	−17.5	—

Sales: 3,879 (2,935) lots of 10 tonnes.

ICCO—Indicator prices (U.S. cents per pound). Daily price for Nov 1: 92.98 (94.58): five-day average for Nov 2: 93.36 (93.43).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 106 tonnes. Moderate trading developed with Central and South American growths in request. Users also wanted East and West African varieties.

COFFEE

In line with expectations London opened £10-£15 higher, reports Drexel Burnham Lambert. Gains were extended slightly before trade selling prompted a gradual retracement in quiet conditions. A sterling based rally restored values to the day's highs.

COFFEE	Yest'day's Close	+ or −	Business Done
Nov	1852-54	+18.0	1864-41
January	1861-62	+18.5	1865-47
March	1817-18	+21.0	1819-99
May	1777-79	+15.5	1780-63
July	1745-50	+5.0	1748-35
Sept	1725-30	+8.0	1720-16
Nov	1700-08	+0.5	1703-00

Sales: 2,534 (3,820) lots of 5 tonnes. ICO Indicator prices (U.S. cents per pound) for Oct 31: Comp daily 1979 135.04 (134.20); 15-day average 138.17 (136.22).

GRAINS

Wheat and barley markets again declined on lack of physical buying enquiries to reach 60p down before meeting profit-taking buying support and improve in quiet trading. New crops were easier on lack of interest, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or −	Yest'day's close	+ or −
Nov	119.50	−0.55	115.85	+0.15
Jan	123.20	−0.20	119.10	−0.20
Mar	126.10	−0.30	122.15	−0.15
May	128.95	−0.40	124.15	−0.13
July	132.00	−0.44	—	—
Sept	116.90	−0.25	112.50	−0.50

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent Nov 135.50, Dec 138, Jan 138.50 transhipment East Coast sellers; English feed fob Dec 128, Jan-March 129 East Coast sellers. Maize: French 1st half Nov 146, 2nd half Nov 146.50 East Coast sellers. Barley: English feed fob Jan-March 125.50 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: S. East 118.70, S. West 121.40, W. Midlands 119.50, N. West 130.40. Feed barley: S. East 117.00, N. West 116.00. The UK monetary coefficient for the week beginning Monday November 7 (based on HGCA calculations using five days exchange rates) is expected to remain unchanged.

POTATOES

The market was easier, trading lower in a very narrow range, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov	155.80	165.90	155.80-54.0
Feb	181.40	182.80	181.50-80.5
April	210.60	213.20	211.50-09.2
May	218.40	217.60	215.50-15.8
Nov	81.00	81.00	—

Sales: 891 (544) lots of 40 tonnes.

RUBBER

The physical market opened idle, attracted little interest throughout the day and closed quiet, reported Lewis and Peat. The Kuala Lumpur October fob price for RSS No 1 was 255.00 (256.00) cents a kg and for SMR20 211.50 (212.00).

No. 1 R.S.S.	Yest'day's close	Previous close	Business Done
	£ per tonne		
Dec	781-785	794-795	—
Jan	780-790	780-800	—
JanMch	782-785	791-792	788-782
Apl-Jne	801-802	808-809	802-800
Jly-Sept	815-818	833-824	818
Oct-Dec	829-831	836-840	—
JanMch	844-846	850-854	—
Apl-Jne	859-864	865-870	—
JlySept	872-875	882-885	—

Sales: 30 (161) lots of 15 tonnes, nil (nil) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 78.00p (78.50p); Dec 79.00p (79.50)p; Jan 79.50p (80.00p).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 558.0, 559.0, 558.0-568.0; March 578.0, 578.0, 578.0-577.0; May 586.0, 589.0, 587.0-586.0; July 539.0, 602.0, untraded; Oct 595.0, 598.0, untraded; Dec 606.0, 610.0, untraded; March 620.0, 623.0, untraded; May 625.0, 633.0, untraded. Sales: 30.

LONDON NEW ZEALAND CROSSBREDS—Close (in order, buyer, seller, business). New Zealand cents per kg. Dec 408, 412, untraded; Jan 408, 412, 408; March 415, 419, 415-414; May 421, 424, 424-421; Aug 439, 441, 438-438; Oct 440, 442, 442-438; Dec 442, 447, untraded; Jan 445, 450, untraded; March 452, 458, untraded; May 458, 458, untraded. Sales: 37.

INDICES

FINANCIAL TIMES

Oct. 31	Oct. 28	M'th ago	Y'ar ago
293.18	284.89	285.44	227.98

(Base: July 1 1952=100)

REUTERS

Nov. 1	Oct. 31	M'th ago	Y'ar ago
1869.6	1880.5	1894.8	1618.6

(Base: September 18 1931=100)

MOODY'S

Oct. 31	Oct. 28	M'th ago	Year ago
1026.8	1030.0	1059.3	975.2

(Base: December 31 1974=100)

DOW JONES

Dow Jones	Oct. 31	Oct. 28	Month ago	Year ago
Spot	NA	136.80	148.29	127.18
Fut's	NA	141.39	149.93	154.22

(December 31 1931=100)

SOYABEAN MEAL

The market opened £2.50 lower in mixed selling, reports T. G. Roddick. Prices drifted in commission house selling closing with losses of £3.50.

	Yesterday's close	+ or −	Business Done
	£ per tonne		
Dec	178.10-80.00	−3.05	180.00-79.90
Feb	185.50-86.00	−4.15	187.00-86.00
April	188.00-87.00	−3.55	187.50-87.00
June	185.70-84.00	−3.40	184.50-83.70
August	185.60-85.50	−3.05	—
October	171.00-78.00	−3.00	—
Dec	181.00-78.00	−4.50	—

Sales: 434 (124) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £135.00 (£140.00) a tonne for Nov-Dec shipment. White Sugar £152.00 (£156.00).

The market was again under pressure as general selling exposed a lack of buying interest and prices fell some £3.00 from pre-weekend levels.

No. 4 Contract	Yest'day's close	Previous close	Business done
	£ per tonne		
Dec	146.60-48.25	150.00-50.25	149.25-46.80
Mar	154.00	158.00	156.25-54.25
May	160.25-60.40	165.25-65.50	162.75-60.00

Sales: 4,311 (2,197) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £242.50 (£248.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for Oct 31: Daily price 9.49 (8.78); 15-day average 8.51 (8.63).

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.53p per kg lw (+0.77). GB—Sheep 125.24p per kg est dcw (−5.46). GB—Pigs 75.69p per kg lw (+0.27).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 80.0 to 87.0; Ulster hindquarters 94.0 to 98.0, forequarters 58.0 to 61.0. Veal: Dutch hinds and ends 141.0 to 144.0. Lamb: English small 60.0 to 64.0, medium 58.0 to 62.0, heavy 55.0 to 59.0; Imported: New Zealand PL 59.3 to 60.0, PX 56.5 to 57.0. Pork: English under 100 lbs 49.8 to 56.5, 100-120 lbs 46.5 to 53.5, 120-160 lbs 43.0 to 53.0.

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: shelf cod £4.00-7.00, codlings £3.50-£5.00; large haddock £5.00, medium £4.00-0.50, small £2.50-4.50; large plaice £6.40-6.50, medium £5.70-7.10, best small £5.00-7.00; skinned dogfish, medium £4.00; lemon sole, large £10.00, small £8.00; rockfish £3.60-4.20; saithe £2.00; coatho £2.70-3.50.

English produce: Apples—Per pound, Bramley new season 0.12-0.18, Howgate 0.10-0.11, Cox's 0.14-0.24, Russet 0.15-0.18, Spartan 0.14-0.19, Laxton's Superb 0.10-0.14. Pears—Per pound, Comice 0.14-0.22, Conference 0.12-0.18. Potatoes—3.80-5.20, Bakers 6.00-8.00. Mushrooms—Per pound, open 0.70-0.90, closed 1.00-1.20. Lettuces—Per tray round 1.60-1.80, Webb's 2.50-2.60, Cos 2.00-2.20, Iceberg per dozen 8.00-8.50. Onions—Per 56 lb 4.00-4.40. Cabbages—Per 25 lb Celtic 2.40-2.60, Primo 2.40-2.60. Greens—28 lb, Kent 2.20-2.60, Cornish 3.00-3.20. Cauliflowers—12's Lincoln 4.00-4.80, Kent 5.00-5.40. Cucumbers—1.80-2.20. Tomatoes—Hot-house 12 lb 2.00-2.60. Celery—3.00. Beetroots—28 lb 2.00-2.20. Turnips—28 lb 2.00-3.00. Swedes—28 lb 1.20-1.40. Capsicums—Green per pound 0.22-0.26. Leeks—Per pound 0.20-0.24. Carrots—28 lb 1.00-1.80. Parsnips—28 lb 2.50-3.00. Sprouts—Per pound 0.18-0.20. Fennel—Per pound 0.25-0.30. Calabrese—Per pound 0.40-0.50.

AMERICAN MARKETS

NEW YORK, November 1.

Precious metals reversed their recent weakness on a short covering rally. Despite the good performance neither Gold nor Silver have been able to mobilise solid general support from Comm Houses. Local and professional traders have been fading the market. Copper again came under pressure from arbitrage selling and the impact of steadily rising Comex stocks. Statements by Chile that they would continue shipping regardless of price reinforced the negative sentiment. Sugar prices were virtually unchanged on the close as aggressive buying by the trade triggered short covering. Cocoa market was featureless most of the day and came under pressure on the close on a rumour circulated on the floor that a major private house would issue a forecast of a rising carry-over. Coffee was moderately lower on local selling pressure. Good support was uncovered on the close by the trade. Heating oil prices rallied moderately on further confrontation between Iran and Iraq and on evening up ahead of the Distillate Stock Report. Cotton prices recovered on renewed concern about the Soviet crop and weekend reports of further losses in the Texas fields. The Soyabean and grain markets rallied strongly on the close reversing losses suffered on the close the previous day. The rally was essentially a short covering rally initiated by a recovery in metals prices, Heinhold Commodities Ltd.

NEW YORK

COCOA 10 tonnes; $/tonnes

	Close	High	Low	Prev
Dec	1942	1994	1935	1963
March	1971	2020	1967	1989
May	2000	2041	1990	2019
July	2030	2048	2030	2046
Sept	2050	—	—	2066
Dec	2079	—	—	2095
March	2092	—	—	2108

COFFEE "C" 37,000 lb; cents/lb

	Close	High	Low	Prev
Dec	140.88	141.10	139.75	141.54
March	137.94	138.46	137.80	138.64
May	134.75	135.06	134.50	135.50
July	132.78	133.00	132.85	132.83
Sept	130.65	130.90	130.00	130.00
Dec	128.60	129.00	128.95	128.30
March	126.63	—	—	126.50

COPPER 25,000 lbs cents/lb

	Close	High	Low	Prev
Nov	62.05	—	—	62.36
Dec	62.60	63.20	61.85	62.95
Jan	63.20	63.70	63.10	63.60
March	64.50	65.20	63.80	64.85
May	65.75	66.35	65.20	66.10
July	67.00	67.70	66.45	67.40
Sept	68.30	68.85	67.70	68.70
Dec	70.36	71.00	69.90	70.80
Jan	71.05	71.50	71.50	71.50
March	72.40	73.00	72.15	72.85

COTTON 50,000 lb; cents/lb

	Close	High	Low	Prev
Dec	80.52	80.78	79.57	79.92
March	81.70	81.90	80.90	81.06
May	82.25	82.60	81.60	81.65
July	82.37	82.46	81.61	81.92
Oct	76.30	76.40	75.80	75.95
Dec	74.80	74.94	74.50	74.70
March	75.90	—	—	75.70

GOLD 100 troy oz; $/troy oz

	Close	High	Low	Prev
Sept	—	—	—	—
Nov	378.3	378.0	377.0	376.2
Dec	380.8	382.5	377.2	378.8
Feb	387.0	388.5	383.5	385.0
April	393.4	394.5	389.0	391.4
June	399.9	401.2	397.0	397.8
August	406.5	406.9	404.0	404.5
Oct	413.4	414.4	411.0	411.4
Dec	420.6	421.0	417.0	418.6
Feb	387.0	388.5	383.5	385.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
Nov	—	81.85	81.45	79.98
Dec	1.55	82.60	82.75	81.35
Jan	2.30	82.50	82.05	82.10
Feb	2.30	80.45	80.00	82.07
March	0.75	78.85	78.75	80.03
April	78.66	77.30	77.20	77.40
May	77.10	—	—	76.95
June	76.35	—	—	76.20
Dec	—	—	—	—
Jan	—	—	—	—

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	128.75	129.00	128.30	128.30
Jan	123.30	123.70	123.10	123.35
March	121.70	121.80	121.30	121.60
May	120.50	120.50	120.40	120.50
July	120.15	120.15	120.15	120.30
Sept	119.00	—	—	119.50
Nov	118.95	119.00	119.00	118.85
Jan	114.55	—	—	113.85

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	377.8	326.5	374.5	373.1
Dec	379.8	379.5	372.0	375.1
Jan	381.0	384.0	376.8	377.1
April	387.7	389.5	383.0	383.0
July	394.2	396.0	390.0	389.8
Oct	400.7	398.5	398.5	398.8
Jan	408.1	—	—	404.2

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
Nov	847.5	869.0	843.0	840.0
Dec	873.5	878.0	848.0	863.0
Jan	881.0	—	—	870.7
March	895.1	900.0	869.0	885.5
May	910.5	913.0	885.0	901.7
July	926.0	925.0	905.0	918.1
Sept	941.7	935.0	915.0	934.6
Dec	966.0	966.0	946.0	959.6
Jan	974.7	—	—	947.9
March	980.6	977.0	963.0	984.5

SUGAR WORLD "11" 112,000 lb; cents/lb

	Close	High	Low	Prev
Sept				
Jan	8.87	8.76	9.65	9.86
March	9.37	8.39	9.13	9.36
May	8.73	8.74	8.50	9.71
July	10.04	10.04	9.82	10.05
Sept	10.31	10.32	10.18	10.34
Oct	10.60	10.61	10.26	10.51
Jan	10.60	10.40	10.40	10.58
March	11.58	11.58	11.32	11.46

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	43.70	43.87	43.16	43.32
Feb	47.05	47.25	46.50	46.95
April	47.25	47.30	46.55	46.67
June	52.17	52.30	51.70	51.97
July	54.15	54.25	53.65	54.00
August	53.10	53.50	52.80	53.00
Oct	52.35	52.85	52.20	—
Dec	53.25	53.35	52.90	53.40
Feb	—	53.16	—	—

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.75	59.85	59.05	59.42
Feb	59.87	59.90	59.20	59.62
April	61.92	61.97	61.35	61.67
June	64.02	64.10	63.80	63.75
August	63.05	63.12	62.75	62.85
Oct	61.35	61.40	60.90	—

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	346.6	347.4	345.0	344.6
March	344.2	345.6	343.0	342.6
May	342.2	343.4	341.2	341.2
July	338.2	339.0	337.2	337.2
Sept	308.6	309.4	308.2	307.4
Dec	288.2	289.4	288.0	287.2

PORK BELLIES 38,000 lb; cents/lb

	Close	High	Low	Prev
Feb	62.32	63.36	61.65	62.52
March	62.60	63.30	61.95	62.77
May	64.25	64.90	63.55	64.22
July	64.20	65.60	64.00	64.57
August	62.77	64.10	62.60	62.95

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Nov	823.0	825.4	809.0	812.0
Jan	842.4	846.0	828.0	830.4
March	867.0	868.4	843.0	845.4
May	860.0	862.0	847.0	851.0
July	855.4	857.0	844.0	848.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	233.2	234.0	230.5	230.9
Jan	234.8	235.7	232.2	232.6
March	236.5	237.5	233.8	233.2
May	234.8	236.0	232.0	232.0
July	234.0	234.0	230.0	231.0
August	223.6	223.5	221.0	221.0
Sept	208.8	208.0	208.0	207.5
Oct	188.0	188.5	187.0	186.8
Dec	190.0	190.0	187.0	187.5
Jan	190.5	—	—	189.0

SOYABEAN OIL 60,000 lbs, cents/lbs

	Close	High	Low	Prev
Dec	28.90	28.96	28.10	28.30
Jan	29.02	29.05	28.20	28.38
March	29.48	29.50	28.60	28.81
May	29.67	29.70	28.80	28.98
July	29.80	29.80	29.00	29.05
August	29.20	29.20	28.65	28.60
Sept	27.73	27.72	27.15	27.10
Oct	26.10	26.30	25.40	25.50
Dec	25.75	25.75	25.10	25.10
Jan	—	—	—	—

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Dec	356.2	356.6	351.0	354.4
March	367.9	369.0	363.6	367.4
May	367.0	369.4	364.4	369.4
July	353.0	355.4	350.6	355.0
Sept	356.4	362.6	358.4	362.6
Dec	373.0	375.0	371.0	378.2

SPOT PRICES—Chicago loose lard 18.50 (18.00) cents per pound. New York tin 598.00-602.00 (598.00-603.00) cents per pound.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on Middle East fears

The dollar continued to improve in currency markets yesterday, underpinned by renewed Middle East tension between Iraq and Iran and fears that U.S. interest rates were unlikely to fall significantly in the near future in view of the Federal authorities heavy funding requirements.

Sterling also benefited from the *possibility of a disruption* in the transit of Middle East oil and showed a firmer tendency against European currencies while slipping a little against the *strong dollar*.

DOLLAR — Trade-weighted index (Bank of England) 127.3 against 122.6 six months ago. The dollar has retreated from the peaks touched in August amid hopes that a sustained fall was imminent, following better money supply figures and a slight easing of interest rates. A large U.S. Budget deficit is likely to restrain the fall in interest rates and the dollar but downward pressure on the currency will continue due to the substantial trade deficit.

The dollar finished close to the day's high as demand continued with the opening of New York. Against the D-mark it closed at DM 2.6540, its best level since late September and up from Monday's figure of DM 2.6300. It was also higher against the Swiss franc at SwFr 2.1610 from SwFr 2.1410 and FFr 8.0775 from FFr 8.01. Against the yen it rose to Y234.80 compared with Y234.0.

STERLING — Trading range against the dollar in 1983 is 1.6235 to 1.4540. October average 1.4977. Trade weighted index 84.1 against 84.0 at noon and 84.0 at the opening and compared with 83.7 on Monday and 84.2 six months ago. The pound has tended to move with the dollar recently although a decline against Continental currencies is probably welcomed. It has also reacted to Middle East tension and its effect on oil supplies, highlighting the pound's status as a petrocurrency.

Sterling fell in late trading against the dollar to finish at $1.4860-1.4870, down 90 points from Monday's close and a day's high of $1.4965. It was higher against the D-mark however at DM 3.9475 compared with 3.9350 and SwFr 3.2150 from SwFr 3.2025. Against the French franc it rose to FFr 12.0050 from FFr 11.9750 but eased slightly against the yen to Y349.25 from Y350.0.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.3320. October average 2.6023. Trade-weighted index 126.2 against 129.6 six months ago. The D-mark has improved after falling to its lowest level for nearly 10 years against the dollar in August. As U.S. money supply figures have improved, attention has switched towards German money supply growth, which is causing some concern and encouraging the Bundesbank to keep interest rates firm. This coupled with the strong German economy is likely to support the D-mark against its EMS partners and the dollar.

The D-mark weakened against most major currencies at the Frankfurt fixing. The dollar moved up to DM 2.6477 from DM 2.6264 reflecting pessimism about interest rate trends in the U.S. World tension also supported the U.S. currency, but volume was limited by All Saints Day, which closed several Catholic regions of Europe. Sterling rose to DM 3.9550 from DM 3.9270.

JAPANESE YEN — Trading range against the dollar in 1983 is 246.90 to 226.80. October average 232.84. Trade-weighted index 152.8 against 146.2 six months ago. The yen has recovered from the weakest levels touched against the dollar during the summer, and has gained ground against European currencies, rising to record levels against the D-mark, despite the recent cut in the Bank of Japan discount rate. It has been underpinned by the stated determination of the authorities to defend the yen.

The Bank of Japan intervened heavily, selling about $200m to prevent the yen falling too sharply against the dollar in Tokyo. The dollar rose to Y234.85 from Y233.70, and touched a peak of Y234.90, with further intervention expected later in London and New York. The D-mark remained weak, falling to Y88.84 from Y88.94.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.9518	+2.34	+1.71	±1.5447
Danish Krone ...	8.14104	8.15509	+0.17	−0.46	±1.6425
German D-Mark	2.24184	2.26175	+0.89	+0.26	±1.0642
French Franc ...	6.87456	6.88211	+0.11	−0.52	±1.4052
Dutch Guilder ...	2.52595	2.53614	+0.40	−0.23	±1.4964
Irish Punt	0.72569	0.725233	+0.35	−0.26	±1.6699
Italian Lira	1403.49	1372.28	−2.22	−2.22	±4.1505

Changes are for ECU, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Nov. 1	£	$		£ Note Rates
Argentina Peso...	88.56-85.88	18.797-15.817	Austria	27.65-27.95
Australia Dollar...	1.6305-1.6585	1.0940-1.0950	Belgium	80.60-81.60
Brazil Cruzeiro...	1,252.8-1,257.5	838-842	Denmark	14.20-14.34
Finland Markka...	8.4435-8.4625	5.6980-5.7000	France	11.99-12.11
Greek Drachma...	140.70-141.30	94.20-94.50	Germany	3.93¾-3.97¾
Hong Kong Dollar	11.6455-11.6655	7.8015-7.8065	Italy	2365-2410
Iran Rial	129.50*	86.50*	Japan	349-354
Kuwait Dinar (KD)	0.4355-0.4360	0.29158-0.29165	Netherlands	4.41¾-4.45¾
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth. African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

Nov. 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	84.1	−7.1
U.S. dollar	127.5	+18.8
Canadian dollar	92.3	+1.1
Austrian schilling	115.6	+5.8
Belgian franc	90.5	−11.3
Danish kroner	79.9	−6.0
Deutsche mark	128.2	+7.4
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Nov. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.707066	0.571392
U.S. $	9½	1.05067	0.853489
Canadian $	8.48	*	1.05910
Austria Sch	3¾	N/A	10.8920
Belgian F	9	N/A	45.9518
Danish Kr	7	10.0912	8.10509
D mark	4	2.79775	2.28175
Guilder	5	3.13778	2.53614
French F	9½	N/A	6.88911
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Oct 31: 1.30556.

THE POUND SPOT AND FORWARD

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 80.95-81.05. Six-month forward dollar 0.37-0.42c dis. 12-month 0.73-0.83c dis.

THE DOLLAR SPOT AND FORWARD

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.47-54.52.

EXCHANGE CROSS RATES

Nov. 1	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.487	3.948	349.3	12.005	3.215	4.423	2388.	1.853	80.05
U.S. Dollar	0.673	1.	2.656	234.8	8.076	2.163	2.973	1606.	1.233	53.85
Deutschemark	0.253	0.377	1.	88.47	3.041	0.814	1.120	604.9	0.464	20.28
Japanese Yen 1,000	2.863	4.266	11.30	1000.	34.37	9.206	12.66	6838.	5.247	229.2
French Franc 10	0.833	1.238	3.289	290.9	10.	2.678	3.684	1989.	1.528	66.68
Swiss Franc	0.311	0.462	1.228	108.6	3.734	1.	1.376	742.8	0.570	24.90
Dutch Guilder	0.226	0.336	0.893	78.97	2.715	0.727	1.	540.0	0.414	18.10
Italian Lira 1,000	0.418	0.622	1.653	146.3	5.027	1.346	1.856	1000.	0.767	33.52
Canadian Dollar	0.546	0.811	2.154	190.8	6.561	1.754	2.418	1503.	1.	43.68
Belgian Franc 100	1.249	1.857	4.931	436.6	15.00	4.016	5.525	2983.	2.289	100.

FINANCIAL FUTURES

Gilts firm

The gilt contract had a very good day on the London International Financial Futures Exchange, after a weak opening. December delivery started trading at 107.27, near to the low point of 107.26, but closed at the highest level of the day at 108.25, compared with 108.04. The cash market also opened on a soft note, but then improved to show gains of up to ½ point on the day.

Gilts were underpinned by sterling's encouraging performance on the foreign exchanges, rising with the strong dollar, following claims by Iraq to have sunk five Iranian warships in the Gulf. There has also been a counter claim by Iran about the loss of two Iraqi vessels, and against this background, with traders already concerned about events in the Lebanon and the invasion of Grenada, the dollar and sterling have been very firm.

Three-month sterling deposits continued to move in a narrow range, reflecting the lack of movement in interest rates on the London money market. The December contract began at 90.78, the lowest level of the day, and closed within the middle of its range at 90.80, compared with 90.82 on Monday.

March was the more active month however, also trading within a four point range, but closing at the day's low of 90.52, against 90.55 previously.

Eurodollar's were confused by a suggestion that President Reagan would veto any bill passing through Congress, that includes any mention of higher taxes, and according to Senate Majority Leader Mr Howard Baker this includes the debt ceiling bill.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) Se per £

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	1.4820
[illegible]	[illegible]	[illegible]	[illegible]	1.4945
[illegible]	[illegible]	[illegible]	[illegible]	1.4965
[illegible]	[illegible]	[illegible]	[illegible]	1.4985

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMPANY NOTICE

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of US$250,000,000 January 1980/88

The rate of interest applicable for the three month period beginning October 31st 1983 and set by the reference agent is 9 13/16% annually.

BANK OF NEW ZEALAND

U.S.$50,000,000

11¼ PER CENT. CAPITAL NOTES 1993

Holders of the above Notes are advised that copies of the 122nd Annual Report and Accounts 1983 of the Bank of New Zealand for the year ended 31st March, 1983, are available from—

Bank of New Zealand,
Chief Manager Funds,
Corner Lambton and Custom House Quays,
Wellington 1,
New Zealand.

Bank of New Zealand,
Manager Corporate Banking,
1, Queen Victoria Street,
London EC4P 4HE.

S. G. Warburg & Co. Ltd.,
Bond Department,
St. Albans House,
Goldsmith Street,
London EC2P 2DL.

2nd November, 1983.

MONEY MARKETS

UK rates show little change

UK clearing bank base lending rate 9 per cent (since October 4 and 5)

UK interest rates were virtually unchanged from Monday in quiet and featureless trading. Overnight interbank money opened at 9¼-9½ per cent and traded around 9¼ per cent for most of the morning before touching a peak later in the day of 9½ per cent. Closing balances were taken down to 7 per cent however.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £140m and Exchequer transactions a further £333m. On the other hand there was a fall in the note circulation of £44m and banks brought forward balances £28m above target. The Bank gave assistance of £327m in the morning comprising purchases of eligible bank bills, £2m in band 1 (up to 14 days) at 9 1/16 per cent, £65m in band 2 (15-33 days) at 9 per cent, £30m in band 3 (34-63 days) at 8 15/16 per cent and £230m in band 4 (64-91 days) at 8⅞ per cent.

Further assistance of £49m was given in the afternoon, making a grand total of £376m. The afternoon help comprised purchases of £7m of eligible bank bills in band 2 at 9 per cent and £42m of eligible bank bills in band 4 at 8⅞ per cent.

In Frankfurt call money was quoted at 5.5-5.55 per cent with volume reduced by the closure of markets in some regions of Germany. Monday's addition of DM 7.5bn through repurchase agreements succeeded only in keeping borrowing through the Lombard facility down to DM 8.5bn on Monday as banks sought to meet end of month requirements. This has given rise to speculation that the Bundesbank may act over the next few days in order to add further liquidity to the system.

In Amsterdam the Dutch central bank announced its intention to offer a special two week loan facility to the market at 5¾ per cent. The amount of the advance will be known after the close of subscriptions today.

LONDON MONEY RATES

Nov. 1 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	7-9½	9-9⅛	—	—	8¼-8⅜	8-8⅛	—	—	—
2 days notice	—	—	9-9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9⅜	—	—	—	—
7 days notice	—	8⅞-9¼	9⅛-9⅜	—	—	—	9	—	—	—
One month	9¼-9 1/16	9 1/16-9¼	9 1/16-9¼	9¾-9⅛	9 1/16	9⅛-9⅛	9	9 1/16	9 1/32	9⅝
Two months	9¼-9 1/16	9¼-9 1/16	9¼	9¾-9½	9¼	9½	9	8 31/32	9 1/32	9 11/32
Three months	9¼-9 1/16	9 1/16-9⅛	9¼-9 1/16	9⅝-9⅜	9⅝	9⅝	9	8⅞	8 15/16	9 7/32
Six months	9¼-9 1/16	9⅝-9½	9 1/16	9⅜-9⅞	9⅞	—	—	—	8 27/32-8⅞	9 3/32
Nine months	9 1/16-9⅜	9 1/16-9 11/32	9 1/16	9⅛	9 15/16	—	—	—	—	—
One year	9½-9 1/16	9¾-9⅞	9 13/16-9¾	9⅞-9⅛	9 15/16	—	—	—	—	—
Two years	—	—	10¼-10⅜	—	—	—	—	—	—	—

ECGD Fixed Rate Export Scheme IV. Average rate for interest period October 5 to November 1, 1983 (inclusive) 9.393 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10¾ per cent; four years 11 per cent; five years 11 per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rates for four months' bank bills 8⅞ per cent; four months' trade bills 9½ per cent.

Approximate selling rate for one-month Treasury bills 9 per cent; two months 8⅞-8 15/16 per cent; three months 8⅞-8 15/16 per cent. Approximate selling rate for one-month bank bills 9 per cent; two months 8 29/32-8 15/16 per cent and three months 8 27/32 per cent; trade bills one month 9½ per cent; two months 9 21/32 per cent and three months 9 7/32 per cent.

Finance House Base Rate (published by the Finance Houses Association): 10 per cent from November 1 1983. London and Scottish Clearing Bank Rates for lending: 9 per cent. London Deposit Rates for sums at seven days' notice: 5½ per cent.

Treasury Bills: Average tender rates of discount 8.8307 per cent. Certificates of Tax Deposit (Series 6). Deposits over one month 9½ per cent; one-three months 9¼ per cent; three-months 9¾ per cent; six-12 months 10 per cent. Under £100,000 9¼ per cent from October 3. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 6 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Nov. 1	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9¾-9 13/16
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-10¼
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅝-9 11/16
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6½-6⅝
S. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4-4 1/16
Deutschm'k	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6⅛-6¼
Fr'nch Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14⅝-14⅞
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18⅛-18⅞
Belg. Franc Conv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-10½
Fin.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-10¼
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6½-6⅝
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10 13/16-11 1/16
Asia $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-10½

FT LONDON INTERBANK FIXING (11.00 a.m. NOVEMBER 1)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 11/16	offer 9 13/16	bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	9⅝-9 7/16
Treasury bills (13-week)	9.46
Treasury bills (26-week)	8.71

GERMANY

Lombard	5.5
Overnight rate	5.5-5.65
One month	5.65
Three months	6.15
Six months	6.20

FRANCE

Intervention rate	12.25
Overnight rate	12.0
One month	12.1875
Three months	12.25
Six months	12.4375

JAPAN

Discount rate	6
Call (unconditional)	6.96875
Bill discount (3-month)	6.34375

SWITZERLAND

Discount rate	4
Overnight rate	1½-2½
One month	2½-3½
Three months	4⅛-4¼

NETHERLANDS

Discount rate	5
Overnight rate	5¾-5¾
One month	5¾-5⅞
Three months	6¼-6⅛
Six months	6 3/16-6 7/16

$ CERTIFICATES OF DEPOSIT

One month	9.3-9.4
Three months	9.45-9.55
Six months	9.60-9.70
One year	9.80-10.0

LONG TERM EURO $

Two years	10⅞-11⅛
Three years	11¼-11½
Four years	11½-11¾
Five years	11⅞-12⅛

SDR LINKED DEPOSITS

One month	8 7/16-8 27/32
Three months	8 13/16-9 3/16
Six months	8¾-9¼
One year	9⅛-9½

ECU LINKED DEPOSITS

One month	9⅛-9¼
Three months	9¼-9⅝
Six months	9 5/16-9 7/16
One year	9⅜-9¾

INTERNATIONAL CAPITAL MARKETS

France to relax stance on Euroloan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

FRANCE has signalled its willingness to be more flexible in setting legal conditions for its loans in the Euromarket with a new $250m deal for Credit National, the state finance company.

Credit National has appointed Morgan Guaranty to act as agent on the deal, which is designed to back up an issue of commercial paper in the U.S. Morgan was one of the large U.S. banks that objected to conditions sought by France for its $4bn jumbo loan last year.

The objections centred on France's refusal to include standard legal clauses in the loan contract that protect lenders in the event of a default. Since the controversy about the jumbo loan many international banks have had reservations about new French business.

For the latest deal, however, Morgan Guaranty and the French Treasury have agreed on a mutually acceptable formula for overcoming the problem. As a result the way seems open for a revival of French borrowing in the Eurocredit market. In the first eight months of this year French borrowers raised only $1.35bn in Eurocredits compared with $5.65 in calendar 1982.

Details of the new formula are being kept secret for the time being. Partly for this reason Credit National has negotiated separate loan agreements with each of the nine banks contributing to the deal.

But with France's borrowing needs likely to remain high – if only to refinance debt maturing over the next few years – bankers believe that it will need to tap the Eurocredit market as well as the international bond market.

The clauses which caused the controversy are standard to most Eurocredit contracts. Known as "pari passu" and "cross default" they bind the borrower to refrain from offering better collateral to other creditors and allow lenders to call their loan into default if the borrower defaults on any other loan.

UK group launches novel issue for £50m

By Mary Ann Sieghart in London

INVESTORS in Industry (formerly Finance for Industry) is breaking new ground in the sterling market by issuing the first sterling bond with debt warrants.

The £50m Eurosterling bond has an eight-year life and a coupon of 11½ per cent at a price of 99⅝%. Each bond carries one warrant to buy a 10½ per cent, eight-year bond at par within the next five years. The warrants were offered at £20 each by lead-manager S.G. Warburg.

The issue seemed to be reasonably well received; it was generally considered to be priced "on the market". The bonds, stripped of their warrants, sold at a discount around their selling concession and the warrants were being traded at their issue price.

The talk of the dollar market was the doubling in size of the Swedish floating rate note to $1bn. Despite the increase, the price only fell about 10 basis points, to a discount of around 0.4 per cent.

Chase Manhattan's 12-year floating rate note in the U.S. domestic market has been increased from $300m to $350m because of strong demand for the paper. Interest is pegged to the three-month London interbank offered rate and the price is 99.60, lead-manager Salomon Brothers announced yesterday.

Morgan Guaranty priced its $85m Dart and Kraft deal yesterday, giving it a coupon at the top of the indicated range of 7⅞ per cent. The exercise premium will be 17 per cent over the Minnesota Mining and Manufacturing shares into which it is convertible. When issued, the bonds traded as high as 99¾, but by yesterday, with a poor performance in the underlying stocks, the price had slipped to around 98½.

The dollar secondary market was quiet, with prices closing more or less unchanged.

The World Bank came out with its Ecu deal yesterday, as expected. Making its debut in the market, it is raising Ecu 150m through a two-tranche deal led by Kredietbank International, ABN, Banque Bruxelles Lambert, Société Générale de Banque and SBC International.

The five-year, Ecu 100m tranche has a 10⅝ per cent coupon and the 10-year Ecu 50m tranche, an 11 per cent coupon. Both are priced at par.

The Inter-American Development Bank is raising Fl 150m in the international guilder market through a 10-year bond paying 9 per cent. The price will be fixed on Monday by lead-manager ABN Bank.

Markets in Europe were very quiet yesterday, partly because of the All Saints Day holiday. Prices closed unchanged.

BHF bank bond average		
Nov 1		Previous
98.749		98.751
High	1983	Low
102.017		97.699

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for November 1.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¼ 90	100	94⅛	94⅝	−0¼	−0⅛	11.50
Bank of Tokyo 11 90	100	95⅜	95⅞	−0⅛	0	11.98
British Col Hyd 10¼ 90	200	97½	98	−0⅛	+0½	10.88
Britoil Fin 11⅞ 90	125	99⅞	100⅜	−0⅛	−0¼	11.84
C.C.C.E. 11¾ 97	100	93¾	94¼	−0⅛	−0⅛	12.87
C.C.C.E. 12⅝ 90	75	99⅛	99⅝	−0¼	0	12.72
Can Imp Bk Com 11 90	70	92⅞	93⅜	−0⅛	−0¼	12.60
Citicorp O/S 10¾ 90	100	93¼	96¾	+0⅛	+0⅛	11.83
Citicorp O/S 11¾ 90	100	97⅝	98⅛	−0⅛	+0⅛	12.21
Coca Cola Int 9⅞ 93	100	91⅞	92⅜	0	+0¼	11.32
Cred Suisse BAH 10½ 90	150†	98½	99	0	+0⅜	10.75
Den Norsk Cred 11¼ 93	50	93½	93¾	−0⅛	−0¼	12.42
Du Pont 11¼ 95	150	99⅜	99⅞	0	+0¼	11.29
E.C.S.C. 11⅞ 90	75	99⅝	100⅛	−0⅛	+0⅛	11.88
E.D.C. 11¾ 87	100	100⅝	101⅛	−0⅛	+0¼	11.42
E.D.F. 11⅛ 93	100	93	93½	−0½	+0¼	12.34
E.E.C. 11 87	350	98½	99	−0⅛	−0½	11.39
E.I.B. 10¾ 93	200	92⅝	92⅞	−0¼	−0⅛	12.86
E.I.B. 11 01	125	95⅛	95⅝	−0⅛	+0⅛	11.92
E.I.B. 11⅞ 93	150	98	98½	−0⅛	0	12.18
Electrolux 10½ 90	50	91¾	92¼	0	0	12.31
Enserch Fin 11⅛ 93	100	95¾	96⅜	0	+0⅛	12.24
Fuji Int Fin 10⅞ 88	100†	93⅞	94⅜	−0⅛	0	12.25
Gen Elec Credit 9¾ 91	100	91¼	92¼	0	−0⅛	11.34
GMAC O/S Fin 10½ 90	200	97¼	97¾	0	+0⅛	11.05
GMAC O/S Fin 11⅞ 90	100	99⅜	99⅞	+0⅛	+0⅛	11.96
Honeywell Int 10¾ 90	100	97⅞	98⅜	0	+0⅜	11.14
Indust Bk Japan 10⅞ 88	100	97½	97¾	−0¼	+0¼	11.58
Japan Air Lines 10⅞ 98	42	92⅝	93¼	−0⅛	+0⅞	11.89
Japan Air Lines 11 93	75	95½	96	−0⅛	+0⅝	11.73
J.C. Penney 11⅞ 90	100	100	100½	0	+0½	11.81
J. P. Morgan 11⅝ 90 WW	150	97⅞	98⅜	0	−0⅛	11.77
Levi Strauss Int 11 90	75	96⅞	97⅜	−0⅛	0	11.81
L.T.C.B. 10¾ 00	100	93¾	94⅛	−0⅛	+0⅜	12.08
L.T.C.B. 12½ 88	85	102⅜	102⅞	−0⅛	0	11.91
Merrill Lynch 10⅝ 90	200	94⅝	95⅛	−0⅛	−0⅛	11.76
Mitsubishi Corp 10½ 90	100	94	94½	−0⅛	0	11.78
Mitsubishi Fin 11⅞ 90	100	96¼	96¾	−0¼	+0¼	12.14
Nippon Credit 11 90	100	94⅞	95⅛	−0¼	+0¼	12.12
O.K.B. 10 01	100	90⅞	[illegible]	−0½	−0⅛	11.94
Ontario Hydro 10¼ 88	250	94⅛	94⅝	−0⅛	+0⅛	11.48
Ontario Hydro 11⅞ 90	200	100⅜	100⅞	−0⅛	+0⅞	11.80
Pacific Gas & Elec 12 91	75	101⅞	102⅜	−0⅛	+0⅜	11.57
Prudential O/S 10⅝ 93	100	96⅛	96⅝	−0¼	+0¼	11.24
Prudential O/S 12¾ 87	150	101⅝	102⅛	0	+0⅝	11.15
Saskatchewan Pr 10¾ 90	125	96⅞	97⅜	−0⅛	+0⅜	11.38
Sears O/S Fin 11⅝ 93	150	98⅜	98⅞	−0⅛	+0⅛	11.80
S.N.C.F. 11½ 93	100	97⅛	97⅝	−0⅛	+0⅜	11.95
Sth Cal Edison 10½ 90	75	96⅞	97⅜	−0⅛	+0⅛	11.11
Sumitomo Fin 10⅞ 90	100	94¼	94¾	−0¼	+0¼	12.10
Texaco Capital 9¾ 90	150	93	93½	0	+0⅛	11.27
U.B.S. 10 90	100	98½	99	0	+0¼	10.33
U.B.S. 11 88	150	100⅞	101⅜	−0½	−0⅛	10.73
World Bank 10⅝ 88	150	96¾	97¼	−0¼	+0¼	11.23
World Bank 11¼ 88	100	99	99½	−0⅛	−0¼	11.43
World Bank 11½ 90	150	98½	99	−0⅛	+0¼	11.70
World Bank 12 93	200	99¾	100¼	−0¼	+0¼	11.96

Av. price changes: on day −⅛, on week +½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7¾ 93	100	100⅜	100⅞	−0¼	−0⅞	7.27
A.N.A.S. 8¼ 88	100	99⅜	99⅞	−0⅛	0	8.33
Arab Banking Corp 8 88	100	97	97½	−0¼	−0¼	8.71
Austria, Rep 7⅞ 89	100	99⅝	100⅛	0	+0⅛	7.84
Austria, Rep 8 93	100	101	101½	−0¼	−0⅛	7.80
Aust Ind Fin 7½ 93	100	100⅝	101⅛	0	+0½	7.36
Beatrice Foods 7¾ 93	130	103⅝	104⅛	−0⅛	+0⅛	7.17
B.F.C.E. 8⅛ 90	150	100¾	101¼	−0¼	−0½	8.04
Comp Tel Mex Exp 8¼ 93	100	96½	97¼	−0⅛	−0⅛	8.73
Dresdner Finance 4 90 WW	250	108¼	109¼	−0¼	+1	2.55
Dresdner Finance 4 90 XW	250	83⅞	84⅞	+0¼	+0¼	7.06
E.C.S.C. 8 90	100	101½	101⅞	0	−0¼	7.72
E.E.C. 8¼ 93	250	101⅝	102⅛	+0⅛	+0¼	7.95
E.I.B. 8 93	200	99⅝	100⅛	0	+0⅛	8.01
Eurofima 7½ 90	100	102½	103	+0¼	+2¼	9.96
Finland Rep 7½ 88	150	99¼	99¾	0	+0¼	7.82
Int Standard Ele 7¾ 93	100	102¼	102⅝	+0⅛	+0⅞	7.38
Ireland 8⅝ 91	150	100¾	101¼	0	+0⅜	8.44
Japan Dev Bank 7½ 93	100	101	101½	0	0	7.25
Kobe City 7 93	120	97⅛	97⅝	−0⅛	+0⅛	7.30
L.T.C.B. 8 90	100	102¼	102¾	0	−0¼	7.50
Renault Acceptance 8 90	150	98⅛	98⅝	0	0	8.31
S.D.R. France 7⅞ 93	100	97¼	97¾	0	+0⅛	8.25
Sth African Tran 8¼ 90	100	99⅛	99⅝	+0⅛	+0⅞	8.34
World Bank 7½ 90	250	98	98½	0	+0⅛	7.84
World Bank 7¾ 93	300	100½	101	+0⅛	+0⅜	7.75

Av. price changes: on day 0, on week +⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bank of Tokyo 6 91	100	102	102½	−0⅛	−0⅛	5.65
Bergen, City of 5¾ 95	40†	98	98½	+0⅛	+0⅛	5.84
Denmark 6⅛ 91	100	101½	101⅞	−0¼	−1½	6.10
E.D.C. 5⅞ 91	100	100½	100⅞	+0⅛	+0⅛	5.27
E.D.C. 6 93	100	100¾	101	0	+0¼	5.88
Europarat 6¼ 93	100	98⅞	98⅜	+0⅛	−0⅛	6.33
Ex-Im Bk Japan 5⅞ 91	100†	99½	100	+0⅛	−0⅛	5.86
Ind Fund Finland 6¼ 91	40	100¼	100½	+0⅛	−0½	6.10
Int-Am Dev Bk 6 93	100	96½	96⅞	−0½	−1⅜	6.47
Int-Am Dev Bk 6¼ 93	100	99⅛	99⅝	+0⅛	−1½	6.22
Japan Dev Bank 5⅞ 93	100	101¼	101⅝	0	−0½	5.65
Kansai Ele Power 6 91	100†	101⅝	102	+0⅛	−0⅛	5.70
Kawasaki Steel 6⅛ 91	100	100⅜	100⅝	−0⅛	−0⅛	6.04
Manitoba Prov 5½ 93	100	100⅜	100⅝	+0¼	−0½	5.43
Montreal Urban 5¾ 93	100	100⅝	101	−0¼	−0¼	5.62
Mount Isa Finance 6 93	100	101⅝	102	+0⅜	0	5.74
NTG Bk Danmark 6¼ 91	80	98¼	99½	+0¼	−0½	6.85
New Brunswick 5¾ 93	100	101⅞	101⅝	+0⅛	−0⅛	5.55
Nissbin Steel 6¼ 91	100	99⅞	100½	+0⅛	0	6.24
Osterr Draukraft 6 93	100	101⅝	102⅛	0	−0½	5.72
Osterr Post 6¼ 91	100	102⅞	103⅛	+0⅛	+0⅛	5.63
Sumitomo Heavy Ind 6 91	100	99¾	100	−0⅛	−0¼	6.02
Sumitomo Metal Ind 6 91	100	100	100¼	−0¼	−1	5.97
Tokyo Elec Power 6⅛ 91	100	101¼	101½	0	+0¼	5.85
Triac Corp 6½ 93	100	98⅛	98½	−0⅛	−2⅛	6.35
World Bank 5⅝ 93	100	98⅝	99⅜	+0⅛	−0⅛	5.79

Av. price changes: on day 0, on week −½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	105	105½	−0⅛	+0⅛	7.75
E.I.B. 8⅛ 93	15	102¾	103½	−0⅛	+0⅛	7.73
Japan Airlines 7⅞ 87	10†	101½	102½	0	−0⅛	7.16
New Zealand 7⅞ 89	10	102⅛	102⅝	0	−0⅛	7.11
World Bank 8⅝ 92	20	103⅞	104¼	0	+0⅜	7.68

Av. price changes: on day 0, on week +⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Farm Credit 12¼ 90 CS	75†	99½	99⅞	−0⅛	+0⅜	12.38
Norcen 12¾ 93 CS	60†	96⅞	97⅛	e	0	13.31
TD MTG Corp 12¼ 88 CS	40†	100⅜	100¾	−0⅛	−0¼	12.33
Quebec Hydro 12¾ 93 CS	50†	100½	101	+0¼	+0⅜	12.60
Royal Trstco 12⅝ 88 CS	50†	100½	101	0	+0⅞	12.41
World Bank 12¼ 90 CS	75†	100⅛	100⅝	−0⅛	+0⅛	12.10
Xerox Canada 12 88 CS	40†	102½	103	0	+0½	11.21
E.E.C. 11¼ 93 ECU	70	100⅛	100⅞	0	+0⅛	11.10
Genfinance 11 00 ECU	90	98⅞	99½	0	−0⅛	11.26
Algemene Bank 8¾ 88 Fl	150	100½	101	−0⅛	−0⅛	8.54
Bank Mees & Hope 9 90 Fl	75	101	101½	−0⅛	−0½	8.66
Elect Sup Brd 8¾ 88 Fl	75	97⅞	98⅛	+0¼	−0⅛	9.31
P.H.P. 8¾ 98 Fl	50	100	100½	−0¼	−0½	8.67
Swed Exp Cred 7¾ 88 Fl	100	96⅛	96⅝	+0⅛	0	8.76
World Bank 9 88 Fl	100	102¼	102¾	0	+0⅛	8.34
B.K.B. 14 90 FF	400	100¾	101¾	0	+0¼	13.24
Solvay & Cie 14¾ 86 FF	200	101⅞	102⅞	0	+0⅛	13.46
B.F.C.E. 11½ 88 £	50	99	99⅝	+0¼	+0⅜	11.64
British Oxyg 11¾ 01 £	50	100¼	101	0	+0⅛	11.59
CEPME 11¼ 95 £	35†	99	100	0	+0⅛	11.31
CIBA-Geigy Int 8¾ 93 £	25	97½	98½	+0⅛	+0⅜	7.04
E.E.C. 11⅝ 91 £	50	100⅝	101⅛	0	+0⅜	11.64
E.E.C. 11⅞ 93 £	50	100⅞	101⅝	−0½	+0½	11.65
Fin For Ind 10½ 90 £	20	94⅝	95⅛	−0⅛	+0⅛	11.60
Finland Rep 11⅞ 88 £	50	99⅞	100⅜	+0⅛	+0½	11.78
Fin Mut Oranj 12⅝ 92 £	30	103½	104¼	+0¼	+1¼	11.90
Gen Elec Co 12½ 89 £	50	102⅞	103⅞	−0⅛	+0⅛	11.57
I.I.I. 10⅞ 93 £	25	94⅝	95⅝	−0½	+0⅞	11.82
Mort Bk Fin 11¾ 89 £	15	97	98	0	0	12.35
Norsk Hydro 12 90 £	30	102	102¾	+0⅛	+0⅞	11.42
Sweden 11¼ 93 £	50	97⅞	98⅛	0	+0⅜	11.63
Swed Exp Cred 11¼ 88 £	30	97⅝	98⅜	−0⅛	+0½	11.79
World Bank 11⅛ 98 £	100	98⅛	99	0	+0⅛	11.49
Eurimen 11 93 LuxFr	600	102	103	0	−0⅛	10.54
Europarat 10¾ 93 LuxFr	600	102⅝	103⅝	0	−0⅛	10.24

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
B.F.C.E. 5½ 90	0¼	99⅝	99⅞	20/1	10.18	10.20
Caisse Nat Tele 5¼ 90	0⅛	99⅝	99⅞	21/4	10	10.03
C.C.F. 5¼ 95	0¼	99½	99¾	7/4	9.94	9.97
C.C.F. 5¼ 88	0¼	99⅞	100⅛	24/3	10.10	10.10
Cepme 5¼ 88 WW	0¼	99⅞	100⅜	3/12	10.56	10.55
Cepme 5¼ 92	0¼	99⅞	100⅛	18/12	10½	10.50
Chemical NY 5¼ 94 ††	0¼	100½	100⅞	23/12	10	9.94
C.N.C.A. 5¼ 95 XW	0¼	99½	99¾	7/12	10	10.04
C.N.T. 5¼ 91	0¼	99½	99¾	6/11	9¼	9.28
Credit Agricole 5¼ 97	0¼	99⅝	99⅞	24/3	10.31	10.34
Credit Foncier 5¼ 93	0¼	99⅝	99⅞	8/4	10	10.03
Credit Lyonnais 6¼ 94	0¼	99⅝	99⅞	5/1	10.31	10.34
Credit Lyonnais 5½ 97	0¼	99⅝	99⅞	1/4	10	10.03
Credit Nat 5¼ 94	0¼	99¾	100	9/3	10¾	10.76
Denmark Nat 5¼ 90	0⅛	99⅝	99⅞	13/4	10	10.05
Dresdner Fin 5¼ 93 WW ††	0¼	107¼	107¾	19/4	9.94	9.24
Dresdner Fin 5¼ 93 XW	0¼	100¼	100½	19/4	9.94	9.90
E.D.F. 5¼ 95 XW	0⅛	100	100¼	10/2	11⅜	11.36
E.E.C. 5 90	0⅛	100⅛	100⅜	5/1	10.10	10.16
Hispano 5¼ 95	0¼	99½	99¾	20/4	10	10.14
NZ Steel Dev 5¼ 92	0¼	100	100½	22/12	10¼	10.22
Nippon Credit 5¼ 90	0⅛	100⅜	100⅝	10/2	11¼	11.10
Soc Generale 5¼ 90 XW	0¼	99½	99¾	9/11	9⅛	9.10
Société Générale 5½ 95	0¼	99⅞	100⅛	1/3	10.31	10.31
Sweden 5⅜ 88	0⅛	100	100¼	26/2	10.10	10.10
Sweden 5¼ 93	0¼	100⅛	100⅜	3/2	11.10	11.16

Av. price changes: on day 0, on week +⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	470	121¾	123¼	−0⅛	3.48
Canon 7 97	7/82	748.2	209	210¾	−1⅛	11.20
Daiwa Sec Co 5½ 98	10/83	508	97½	98	+0⅛	4.51
Hitachi Cable 5⅞ 96	2/82	515	107	108½	−0⅞	5.77
Honda Motor 5⅝ 98	6/83	884	115½	116½	−2⅛	−0.76
Honda Motor 5½ 97	3/83	759.6	134⅞	135⅞	−2⅛	−0.75
Konishiroku Photo 4 88	10/83	873	98⅝	99½	+0⅛	3.20
Kyowa Hakko 6⅛ 97	2/83	762	109⅛	110⅝	−0½	10.50
Minebea Co Ltd. 5½ 98	5/83	867	115	118	−0¼	3.74
Mitsubishi Electric 5¼ 88	6/83	396	110⅞	111⅞	−1⅛	1.28
Nippon Electric 6⅛ 97	2/82	765.8	164¾	169¾	+0⅛	1.41
Nippon Oil Co 5½ 96	4/83	984	110⅞	117⅛	−3⅛	−0.28
Nissan Motor 5¾ 98	4/83	778	102⅝	103⅞	−0¼	0.27
Olympus Optical 6⅝ 97	12/82	1331	100½	102	−0⅛	21.57
Orient Finance 5¾ 97	3/82	827.2	97¾	99¼	−1⅛	8.91
Orient Leasing 5¼ 98	6/83	2680	94½	95½	−0⅛	7.39
Secom 5 98	11/83	2920	126½	128	+0⅛	1.13
Sumitomo Electric 5½ 97	3/82	577.3	120⅛	121⅝	−1⅛	−0.01
Yamaichi Sec Co 5 88	8/83	472	96⅞	98⅛	0	3.86
Yamanouchi Pharma'cal 4 00	10/83	1806	95¼	96¼	+0¼	6.91
NEC Corp 3½ 93 SF	8/83	870	139	141	+0½	−0.80
Settsu Paper 3⅞ 93 SF	6/83	710	102½	104½	0	10.44
Asics 5 93 DM	12/83	528	106¾	107¾	+0⅛	11.38
Konishiroku 6⅛ 88 DM	6/82	810	120½	121½	+0½	1.24
Sun Realty 6⅛ 92 DM	2/83	390	122	123	−0¾	−4.63

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week — Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date — Date next coupon becomes effective. Spread — Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. — current coupon. Cu. yld — current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day — Change on day. Cnv. date — First date for conversion into shares. Cnv. price — Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem — Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SECTION IV

FINANCIAL TIMES SURVEY

Dairy Industry

Since Britain joined the EEC, the UK's dairy industry has undergone a major upheaval. Now, faced with a glut of milk production throughout Europe, the industry is seeking to boost consumer markets and to develop its product range.

Moves to develop new markets

FROM THE COW to the consumer, Britain's dairy industry is one of the largest business operations in the country. Every day, on average, some 35m litres of milk flow into the hulk tanks of around 40,000 farms, where it is then collected on a daily basis by one of the largest tanker fleets in the country and delivered either to the dairies for bottling or to the creameries to be made into hutter, cheese, or other products.

It is an industry that most people take for granted: They expect milk to be delivered each day to their doorsteps; they expect it to be fresh and nutritious; they complain about the price for a pinta hut at the end of the day are fairly satisfied with hoth the service and the product, according to market research studies.

BY DAVID CHURCHILL
CONSUMER AFFAIRS CORRESPONDENT

Yet Britain's dairy industry has undergone a major upheaval over the past decade as a result of Britain's joining the EEC. Moreover, the continued inter-linking of Britain's dairy producers with their European counterparts is threatening to pose just as great a threat over the next decade.

The most immediate problems are the glut of milk production throughout Europe, at a time when demand is relatively static, and the strains this is putting on the financing of the EEC dairy policy. The introduction into the UK of cheap UHT milk imports sdds a further dimension. These imports will be allowed from November 16, under regulations laid before Parliament last week.

The dairy industry in Britain is already operating admidst a whole host of complex legal and institutional restraints — far more in fact than any other sector of the food industry. These are not theoretical constraints, but are of an immediate and practical nature which affect the industry's potential to remain profitable.

The UK dairy industry is well used to this. Ever since the Milk Marketing Board was first set np 50 years ago, politicians and hureaucrats—be they from Whitehall or Brussels—have sought to regulate the supply of milk. Even now, liquid milk prices are controlled at wholesale and retail level and the dairies' aggregate profit margins on milk are, effectively, set by the Government.

But the onset of complex EEC rules and regulations affecting the dairy industry make any real long-term planning for the sector more difficult, especially as what is proposed seems divorced from the reality of the market place. Recently, the Federation of UK Milk Marketing Boards felt obliged to issue a statement describing as "totally unacceptable" the EEC Commission proposals to cut the growing dairy surplus.

The statement says that the boards are convinced that the commission's assessment is unnecessarily alarmist. They totally reject the commission's claim that in the sbsence of a production quota scheme, a reduction in support prices of as much as 12 per cent would be necessary.

Criticism of the EEC from the opposite standpoint comes from the consumers in the European Community Gronp, the umbrella organisation for UK consumer groups concerned with EEC issues. The CECG believes that there "is only one effective way of curbing milk supplies and bringing down the price of milk." This is "to reduce support prices, or at the very least freeze them for a significant period of time."

The reason for the over-supply position in European markets is spelt ont by Sir Stephen Roberts, chairman of the MMB.

"The exceptional weather experienced in Britain in 1982/83 also occurred throughout Europe, with the result that by the end of the year there were large stocks of dairy products," he says.

"This situation, together with the poor weather of this spring, means that in the coming year the total income available to milk producers is likely tn rise by only s small amount if at all."

Sir Stephen adds: "Next year, therefore, will be one in which to consolidate: we must look to efficiency for increased rewards, not only on the farm but also in transport, in manufacture, and in every other stage of the production and marketing chain."

A record 13.655m litres of milk were produced in 1982/83, an increase of 7.6 per cent over the depressed level of the previous year, and 6.6 per cent above the previous record of 1980/81. Averaging the last two years — a very poor year and s very good one — supplies increased by 3.3 per cent a year.

The number of dairy cows rose slightly—by about one per ceot—mainly dne to fewer cows being slaughtered rather than more heifers being taken in. The rise in milk production, therefore, was due mainly to an increase in yield per cow.

Sales recovery

By contrast, liquid milk sales continued to decline in 1982-83 — falling by 1.6 per cent — but, significantly, there has been some recovery over the past six months. Liquid milk for consumption is down by only 0.2 per cent over the past six months and the trend is clearly towards some stabilisation of the market after the steady decline in recent years.

Credit for halting this decline is due in part to the aggressive advertising and marketing campaign being carried out by the industry to promote liquid milk sales. Apart from television advertising, sponsorship has increased. The Football League cup has been relaunched as the Milk Cup, and sales of milk through puhs have grown considerably.

The trade has also sought to capture the young consumer market by developing flavoured milks to compete in the substantial soft drinks market. Plans for a carbonated milk drink are already well advanced to take on the cola producers.

The dairy industry is not simply toying with all these new marketing moves: it is considered essential to find new markets for liquid milk in face of the threat from cheap imports of UHT milk.

The industry fears that once initial consumer reluctance is overcome to the differeot taste of UHT milk, then European countries will be able to make considerable inroads into the UK market.

The effect of this, it is argued, would put in jeopardy the doorstep delivery service — which accounts for the bulk of liquid milk sales in the UK — as even a small decline in milk sold to households could make many rounds uneconomic.

But the doorstep delivery service is not only challenged from imports of UHT. One of the market developments in recent years has been the increased willingness of major supermarket chains to sell milk—even in some cases as "loss leaders" in order to attract shoppers.

The trade has generally resisted this move since milk sold at a lower price through supermarkets undermines the doorstep delivery service.

The Office of Fair Trading has been keepiog the market position under close scrutiny and two years ago had contemplated referring the milk supply issue to the Monopolies and Mergers Commission for a full study.

A sign of the OFT's monitoring of the dairy industry was shown by the OFT's receot revelation of secret price fixing agreements between the major dairy companies.

The importance of liquid milk sales to the dairy industry, bowever, has been steadily diminishing over the past decade after the UK joined the EEC.

As Britain's access to cheap manufactured foodstuffs such as butter and cheese from the Commonwealth countries dried up, so the Government urged the iodustry to switch to producing more manufactured dairy products in the UK.

Steady change

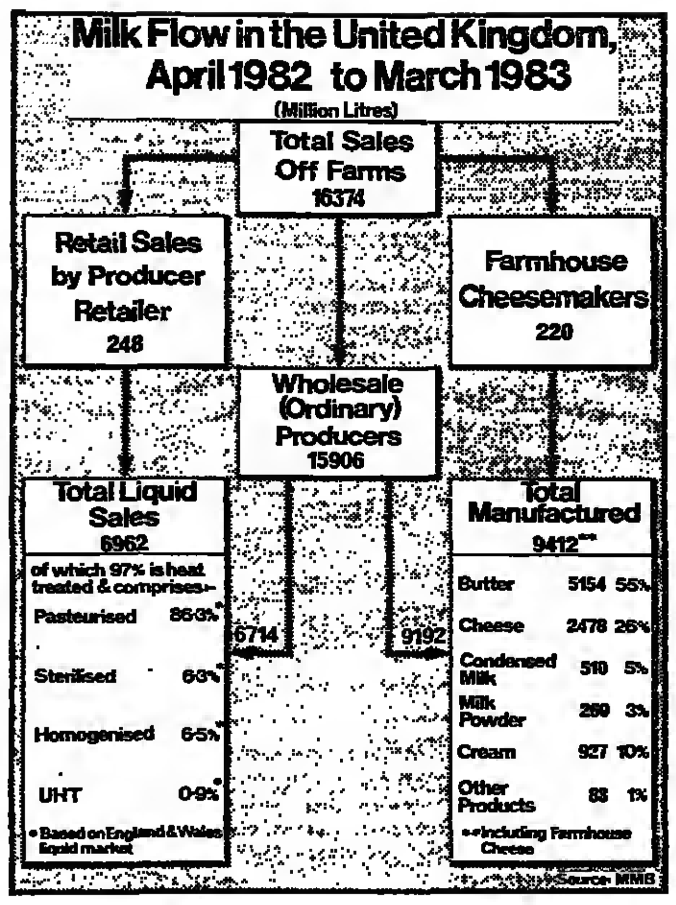
Thus, the ratio of liquid milk to milk used in manufactured products has steadily changed, so that slightly more than balf of all milk produced now goes into manufactured dairy products.

The MMB has therefore had to increase its commercial operations in line with the trend and these are now concentrated within the Dairy Crest operation, which operates at "arm's length" from the MMB.
legal party.

Thus, when Lymeswold cheese was produced by Dairy Crest last year it became the first new English cheese to he produced for two centuries. A special team of marketing executives at Dairy Crest are constantly searching for new products that make use of milk: soap is just one possibility now being examined.

Fifty years ago, dairy farmers would have thought the idea of producing milk to make soap ludicrous.

But the future profitability of the dairy industry clearly rests in seeking out new markets if the trade is to remain viable. In 50 years time, when the MMB celebrates its centenary, who knows what milk will he used for then?



CONTENTS

Britain's Milk Marketing Board is 50 years old. David Churchill examines the changing role of the MMB which takes as its motto. . .

'Together in enterprise'

FIFTY years ago Britain's dairy farmers were given the chance to decide, in a special poll, whether a new marketing structure for the milk they produced should be set up.

Support for the project in September, 1933, was only a few percentage points short of being unanimous and the Milk Marketing Board was set up later that year.

Some 45 years later, in 1978, Britain's dairy farmers were again asked whether they wanted the milk marketing scheme to represent them—this time at the behest of the European Commission which had been wary of the UK's milk marketing scheme ever since Britain joined the EEC in 1973, because it did not conform to the dairy systems operating in most of the rest of Europe.

None the less, the vote this time was again almost unanimous, with some 98 per cent in favour of maintaining the MMB structure. The board was safe to celebrate its Golden Jubilee.

The MMB is probably the best-known and most successful of the agricultural marketing boards which were set up following the Agricultural Marketing Act of 1931. This Act recognised "the urgent need . . . to enable producers . . . to control effectively the marketing end of their business, and enjoy equal opportunity with other highly organised groups in the industrial community."

The need for such legislation was a legacy from the Victorian era when the policy of basing Britain's economy on the export of industrial goods in return for the import of cheap foodstuffs developed.

At the same time the rapid growth of Britain's population, and the move towards urban areas, meant that milk producers in the UK were kept fully stretched to simply meet the demand for fresh liquid milk, let alone the markets for butter and cheese.

These markets were increasingly filled by cheap imports from the fast-developing agricultural industries of Canada, Australia and New Zealand.

Thus, Britain's dairy farmers were at the mercy of the dairy companies on the one hand for sale of liquid milk and unable, on the other, to compete with cheap imports of manufactured dairy products. It was a situation hardly conducive to efficient dairy farming.

As the tensions between producers and buyers—and between different categories of producer—increased, so the need for a more effective structure became apparent. The advantage of the MMB system was that it imposed a discipline on all dairy farmers to register with the Board and sell their milk only through the Board.

The MMB's task, therefore, became to sell all the farmer's milk on his behalf to the dairy companies on terms negotiated from a position of comparable strength. In addition, the MMB was to rationalise the primary distribution and allocation of milk supplies, giving priority to the more remunerative markets, and to distribute the total income from the market on an equitable basis among all the milk producers.

Initially, it was not the Board's intention to become involved in the processing of milk and the manufacture of milk products—a fundamental difference from the producer co-operatives in most European countries whose aim is to give farmers control over the processing of their product.

However, as early as 1934—one year after the MMB was formed—it was forced to set up a cheese creamery to ensure a regular outlet for Cumbrian milk. Over the years other creameries have been acquired or built, the most notable expansion being in 1979 when the board bought 16 cheese and butter creameries from Unigate to add to the 17 it already owned.

The early years of the MMB were spent in trying to bring some order to the chaotic position into which the dairy industry had fallen. The regularity of the monthly MMB cheque which arrived at each dairy farm became a symbol of the new-found security and stability among farmers, and the number of producers rose steadily.

The outbreak of war led, in 1942, to the Ministry of Agriculture exerting direct control over milk prices although the board continued to operate as the Ministry's agent in arranging the efficient distribution of milk throughout the country.

The main areas

It was during the war years that the Board first developed into activities not directly related to the marketing of milk, but aimed instead at helping the farmer to raise his technical and financial efficiency.

These activities fell into two main areas: Firstly, the MMB set up a national milk records scheme to replace the piecemeal recording schemes already in existence. Such a national records scheme was a pre-requisite for genetic improvement of herds and for more sophisticated farm management.

Secondly, the scope for making use of the newly-developed technique of artificial insemination available to every farm was recognised, and the MMB's first AI centre was set up at Beccles in Suffolk.

These two developments formed the basis of the MMB's breeding and production services which now offer the farmer the most comprehensive range of integrated, computer-aided services available. These services include recording and consulting services for farm management; a huge stud of dairy and beef bulls available through AI; and a number of veterinary facilities to help improve herd health and fertility.

The board did not have its marketing powers fully restored until 1954, and even then milk prices still remained largely determined by Government. However, the Board concentrated on developing the dairy market after 15 years of rationing. It sought to re-educate people in the real uses of milk and milk products after so many years of short supply—the famous slogan "Drinka Pinta Milka Day" dates from this period.

The MMB also began to experiment with bulk tankers for collecting refrigerated milk from the farm. Progress was slow in achieving this, however, and by 1965 only 9 per cent of milk was collected by tanker. But by the middle of 1979, the conversion programme was completed.

Britain's accession to the EEC in 1973 was a major turning point for the MMB and the dairy industry as a whole. For the first time the Government was openly calling for an increase in milk production and a greater degree of self-sufficiency in dairy products.

In addition, the question began to be raised of the compatability of certain of the Board's activities with the Treaty of Rome. Eventually, this threat to the MMB's existence was overcome—with help of the referendum vote of dairy farmers—and the MMB's legal status within the EEC was assured.

The major development in recent years has been the setting up, following the acquisition of the Unigate creameries, of a separate commercial organisation for the MMB's creameries, bottling dairies, and tanker fleet. This organisation was named Dairy Crest—previously just a brand name on MMB products—and it operates at "arm's length" from the MMB. Its creation, however, has not been without some criticism from the major dairy companies it is now actively competing with. "The setting up of Dairy Crest has removed the MMB from any role as merely processor of surplus residual supplies of milk to become the dominant manufacturer and marketer of these products," says one executive from a major dairy company. This concern is likely to simmer for some time.

The MMB, however, is now looking forward to a period of greater consolidation of its efforts to communicate to farmers the benefits they can obtain from the Board's attempts to become more sophisticated in the marketing and distribution of milk throughout the UK.

How the Press had doubts about the Milk Marketing Board in its early days.

Doorstep milk deliveries still greatly valued by UK consumers

Changes in the milk market

BRITONS DRINK more milk per head of the population than most of the other countries in Europe — but they also have to pay more for it. It is perhaps this last fact — the price level — that goes most way to explain the steady erosion of liquid milk sales in recent years.

Milk consumption was at an all-time-high as long ago as 1951, at 5.15 pints per week, and peaked again in 1966 before declining again. In recent years, the UK Government subsidy of milk prices in the mid-70s led to a new surge in consumption—although sales declined again as milk prices outstripped the retail price index for food items in general.

However, there are some signs that the decline on consumption may be stabilising. Sales in the last six months were down by only 0.2 per cent on average, compared with a decline of between 1 and 2 per cent last year.

The underlying declining trend in consumption of liquid milk is due to other factors as well as price, although these tend to be less quantifiable. For example, changes in life-style have been important with less milk used to make custard and bedtime drinks, the decline in popularity of tea, and the trend towards drinking coffee black.

Competition

Liquid milk has also suffered from fierce competition from carbonated soft drinks and fruit juices — one of the major growth markets in recent years. The declining birth rate in recent years has not helped milk sales, although the increasing birth rate at present may lead to extra demand.

Research shows that only about 11 per cent of milk is actually drunk on its own in the home. Some 26 per cent of milk at home is consumed in tea, a further 18 per cent with coffee, and 14 per cent on cereals. Another 15 per cent is used for cooking; 4 per cent in the home with other beverages, 10 per cent for catering purposes, and the remaining 2 per cent is drunk at school.

About 84 per cent of all milk purchased is consumed in the home—not surprising since between eight and nine out of every ten pints consumed is delivered to the home via the UK's unique doorstep delivery system.

Consumption of liquid milk tends to be higher in the more affluent households, reports the Mintel market research company, although households without a wage earner (groups E1 and E2 in the socio-economic system) have a higher than average per capita consumption of milk. There is also a very high consumption of milk by old age pensioners, probably due to a higher than average consumption of tea.

According to Mintel, consumption of milk is particularly high in the east midlands and south-west and well below the average in the north of England. Although consumption patterns in East Anglia and the South-East are very close to the average, consumption in the Greater London area is well below the average.

The bulk of the UK liquid market is accounted for by pasteurised milk which has been heated to at least 71.7 degrees centigrade for a minimum of 15 seconds, then immediately cooled. Some of the vitamin content is destroyed in the process, but the flavour remains unimpaired. "Silver top" pasteurised must have a minimum fat content of 3 per cent and "Gold top," which comes from Channel Island and South Devon herds, a minimum of 4 per cent.

The market trend is for both pasteurised and UHT milk to gradually increase their share of heat-treated milk, although UHT sales are tiny in relation to other types of milk sold.

Homogenised milk sales have been in gradual decline, despite something of a recovery in recent years, while the decline of sterilised milk has been continuous although in certain areas it retains its popularity. Sterilised milk's decline is perhaps mainly due to the fact that some 98 per cent of all households now have a refrigerator or some form of cooling equipment.

CONTINUED ON NEXT PAGE

Imports competition from supermarkets and over-capacity are among the problems

Tough times for dairy companies

DAIRY companies generally enjoyed a comfortable time throughout the 'sixties and much of the 'seventies. Demand was increasing and profits were heavily protected by a system which re-imbursed the milk producers for increased costs.

There really waa not much point in becoming obsessively efficient, in terms of plant and manpower. Also the market in England and Wales had been geographically carved-up during World War Two for obvious reasons of efficiency and, really, those arrangements had never heen dismantled, so competition was very limited.

Yet times have changed and are now threatening to change even faster. The future for the dairy industry has probably never looked so gloomy as it does today. The market is in decline, supermarkets have expanded operations and aggressively captured a large slice of the dairymen's traditional customers, while container-loads of cheaper European milk are waiting to be landed at British docks and, to make matters even worse, the industry is again being taken to task over restrictive trading agreements.

Perhaps the beginning of the dairy industry's problems can be traced back to 1977 when consumption of subsidised milk finally peaked out. Since then, British households have been drinking less and demand has been in steady decline, falling at the rate of around 2 per cent a year.

Suspended

Then the Conservative Government decided to review the remuneration policy of the dairy industry. The costing system was suspended while the accountants at Binder Hamlyn got to work. At the end of the day, Mrs Thatcher accepted Binder's report and re-introduced a system not very different from the low risk form suspended in 1979.

Even so, that exercise probably took around £45m of cash out of the industry.

As volume slid, greater emphasis was placed on efficiency and the dairymen started replacing outmoded equipment. But there was no great reduction in capacity, and now the sector is generally labouring under 15 to 20 per cent over-capacity.

It is that factor of over-capacity which eventually played into the retailers hands. Milk is a commodity item, essential to most households on a daily basis. The milkman delivers it and Unigate's price would be the same as the Co-op, so the only deciding element of competition seemed to be the charm of the delivery man.

Meantime, the retailers had to pay a premium if they wanted to sell milk to their customers. The industry has effectively ganged-up on retailers to prevent them capturing a worthwhile slice of the market. The dairies had it sown up, even if consumption was dropping.

Yet the economics of dairies made them highly sensitive to volume shifts. Once above hreak-even point, every extra bottle made a difference in profit terms. Yet, when volume started to decline, the economics of the floats looked more and more in jeopardy.

No doubt the big retailers were putting steady pressure on the dairies to supply them at lower prices. After all, the dairymen wanted the stores to take all their other dairy products. It was the smaller dairies feeling the pinch of falling volume, which hroke ranks first and started to supply the High Street giants with milk at a price that was competitive with the morning roundsman.

Milk bottle filling and capping machine with bottle-washer equipment in the background

The Sainsbury chain set the pace. It wanted to give the consumer more choice in milk products and carve out a slice of this large lucrative market for itself. It launched Vitapint two years ago, a low-fat light milk in keeping with the trend of consumers moving away from animal fats. And most important of all, the prodnct was pitched at a price below the doorstep bottle.

The other chains followed suit. Now, around 17 per cent of UK milk sales go through retail ontlets. Two years ago that figure was probably no more than 5 per cent. The only geographic difference is Scotland, where the daily roundsman and the storekeeper traditionally have the market split roughly 50-50.

The retailers have managed to capture such a substantial market share hy aggressive pricing. Sainsbury sells its milk at 1½p below the doorstep price of 21p a pint — though even Sainsbury didn't follow all the way when Tesco recently slashed prices to 17p a pint for a four-week period. The supermarket chain was using milk as a loss-leader in the same way as it would any other commodity grocery item to encourage customers.

And it will be the eager retailers which pull in cheap ultra-heat treated (UHT, long-life) milk from the Continent. At the time, of writing Parliament had not yet passed the appropriate regulations under the Importation of Milk Act 1983 to allow imports of UHT but it was anticipated any day. European UHT milk can be landed at a cheaper price than the British retailers can buy it from the dairy companies. So it would be very surprising if imported European milk was not on the retailers' shelves by Christmas, selling for, say, 16p a pint.

Reduced margin

Something, somewhere, has to give. Sainsbury has already negotiated lower UHT prices with its British suppliers and both the dairies and Sainsbury are taking a reduced margin. But it still cannot compete with import prices and Sainsbury has started talking to the French, Belgian and Danish suppliers.

Still, full marks to tha Ministry of Agriculture, which has fought a spirited rear-guard action to hold back the threat to British dairy companies' profits. But now imports are coming. UHT milk is not to everyone's taste and yet if the housewife can buy it at 16p a pint (though it will probably come in half-litre packs for 14p to 15p a go) will she pay the dairies 21p to put it on her doorstep?

If the floats are going to remain economical, even after the recent cutbacks in the number of delivery days, something will have to be done to the pricing structure.

The dairies cannot allow the retailers to chop away their market with imported UHT. It is not enough to say that UHT is a minnow in overall British consumption, so far. Given the sort of price advantage it will enjoy, Continental milk imports must carve out a significant slice of the market.

Probably, the major dairy companies will turn to the Milk Marketing Board to renegotiate pricing policies. If every one along the route takes a cut in margins, British milk can beat off the attack with limited damage to market share. What it could well mean, however, is that the prica of fresh milk will have to come down and the dairies, along with everyona else, will see their profits trimmed.

Protected

It would be wrong to sound too alarmist about prospects. The dairy industry as a whole may he moving away from its traditional secure niche, where it was regulated and protected by the Governmant, into a market where it must fight on a competitive basis—but that has long been the lot of most other food producers.

And, anyway, most of the major dairy groups are diversified animals with limited reliance on milk profits. The largest supplier of liquid milk to Britain's families is the Co-operative movement—undoubtedly fragmented, hut still accounting for nearly 30 per cent of the milk market. The CWS Milk Group in its own rigbt is one of the top five dairy companies.

Unigate, with close to 20 per cent of the market, bas, perhaps, the widest exposure of the majors. Unigate bas indeed diversified, hnt not always successfully, as Scot-Bowyers amply demonstrates. However, in the year to last March, £26.5m of its £43.7m pre-tax profit came from its dairy activities. True, dairies are more than liquid milk, but probably 30 per ceot of its profits still come from the daily "pinta."

Express Dairies may be a major in industry terms, hut within the mighty Grand Metropolitan empire its contribution to an anticipated profit of £300m this year is relatively minute. Northern and Associated bave market shares in single figures and both bave heen adept at using a strong cash flow from the weekly round to invest in other non-dairy sectors.

Nevertheless, the dairy industry has to grasp some unplaasant nettles: imports, competition from the supermarkets, long-term over-capacity and over-production within tha EEC, which is a serious drain on Community funds.

Finally, there are all those remaining restrictive practices to be hauled over. Most of those are historic and have heen dismantled—most, but not all.

Terry Garrett

Automation tightens processing control

LIKE MOST manufacturing sectors, the dairy industry is under increasing pressure to improve productivity. Competition is intense, particularly in the higher value added products, and the supply of liquid milk is limited.

Fortunately, there are still many opportunities to cut production costs, improve yields and quality control and reduce waste, thanks to the development of new production processes and the automation of existing ones.

The most important developments in dairy equipment in recent years have been in automation. The drop in the cost of electronics has enabled dairies to automate the control of more and more of their machines. Indeed, it is now increasingly common to have all processing computer-controlled in a dairy.

The £10m Marshfield Dairy, opened by Unigate in South Wales earlier this year, has complete computer-control of processing, and the result is a 50 per cent improvement in efficiency over the plant it replaced.

The main benefits from aulomation in the dairy industry are the reduction io manpower needs and the more precise control of processing, which enables the dairy to produce goods of more consistent quality.

Computer-based control technology also enable producers to use their plant more flexibly than in the past. For example, Express Dairies' new cheese plant at Ruyton XI Towns in Sbropshire is capable of making 28 types of cheeses.

The latest trend in process controls is to small capacity, inexpensive systems that can be used to control a single piece of equipment. Both Alfa-Laval of Sweden and APV of Britain have introduced new products recently for this market.

Traditional

The traditional dairy equipment suppliers are facing increasing competition from the specialised process control manufacturers, such as Siemans of Germany, GEC of Britain, Allen-Bradley and General Electric of the U.S., hut they hope to hold their own through offering specialised software support for dairy equipment.

Another important technological development in dairy equipment area is ultra-filtration. This technology, used first for water purification, separates components of liquids by forcing them through a very fine membrane. In dairying applications, it offers a much more precise method of separation than the traditional centrifugal method.

The first ultra-filtration systems for dairy products were installed about two years ago, and the first in the UK has just been opened by the Scottish Milk Marketing Board at Stranraer to make Feta cheese for export to Eastern Mediterranian markets.

The increased focus on cheese inevitably brings with it more whey by-product, and new equipment has been developed recently to make the whey more widely useabie.

One machine, for example, concentrates tbe solids from the liquid wbey, and the spray-dried solids are then used in preparing pet foods, chocolate hars, cake mixes and other packaged foods.

On the distribution front, the major dairies are planning gradually to phase out their direct milk delivery systems in favour of supplying supermarkets and shops.

However, the roundsman is still the main factor in the dairy products distribution system, and some effort is heing put into improving the financial control of that operation.

GK Computer Services, a small software company, has developed a system that enables the roundsman to enter all his daily transactions on a pocket terminal, and then settle his account with the dairy at the end of the day. The system offers improved cash flow for the dairy and less danger of loss or dispute between the dairy and the roundsman.

Ian Rodger

The milk market

CONTINUED FROM PREVIOUS PAGE

The health and fitness boom of recent years has belped sales of low-calorie skimmed milks; Sainsbury's, in particular, has actively promoted sales of these.

Although the dairy industry's dependence on liquid milk sales has diminished over the past decade as more milk has gone into manufactured products such as cheese and butter, it is still a vitally important part of the whole trade. Hence, the concern with which the industry faces the threat to doorstop-delivered milk as a result of cbeaper UHT milk soon becoming more widely available in food stores.

Deliveries

The doorstep delivery service is one that is greatly valued by consumers, according to various surveys. A "Which?" magazine report, for example, found that nearly 90 per cent of people questioned said that they would not switch to buying milk from a shop—even if ordinary milk was cheaper there.

Of those who said they would think about buying from a shop or supermarket, most said that ordinary milk would have to be at least 2p per pint cheaper. The main reasons given for liking doorstep deliveries were convenience and a general approval of the idea of doorstep delivery, perhaps as a social service or even as part of "our way of life."

The increased presence of imported UHT milk would put some pressure on the traditional operators to become more aggressive and, perhaps, offer milk at a more competitive price. The main fears of the dairies, however, are that it will only take a small switch to shop sales to make many daily milk rounds uneconomic.

Doorstep delivery services are costly, both in terms of manpower and fuel costs, and the decline of most other commercial doorstep delivery services shows how uneconomic they can be. But the Scottish example has shown that perhaps a lower level of doorstep delivery service can be offered without bringing down the whole structure.

Almost half the milk bought by Scottish consumers is sold through shops, rather than being delivered, the reason apparently being because Scottish consumers find the delivery service inflexible. In evidence to the House of Commons agriculture committee in 1980, the Scottish milk marketing board said that "in Scotland there is a situation where virtually half the milk is sold through shops, yet we still have what appears to be a viable milk-round system, in the sense that the milk-round system is still almost universal."

There are many within the English and Welsh dairy industry, however, who fear that despite the Scottish experience, the demise of doorstep deliveries will be accelerated by the introduction of UHT imports—with corresponding consequences for the demand for milk as a whole.

David Churchill

EEC quotas would be unfair to Britain's farmers, argues **John Cherrington**

Farmers face hard price for success

THE Milk Marketing Board changed the lives and attitudes of dairy farmers out of all recognition. Before its inception a farmer's milk was sold on an annual contract basis, usoally from October 1.

The previous few weeks were occupied by a war of nerves with the buyers trying to force next year's price down, while farmers pushed them np or attempted to. Farmers would meet and swear to hold a price in the district, and then a trickle would break away for a surreptitious signing, and in the end those who held out longest found the ground cut from under their feet.

It is true there were a number of competing buyers, but according to well-informed rumour they worked in concert and it was difficult to play one against the other in a way possible with farmers. There were also very wide variations in prices paid which depended on who supplied the liquid markets and who sent their milk for manufacture.

By the time the farmers voted for e Board another factor had entered into the equation. The railways were offering very cheap transport, so thet milk from Cumberland and Cornwal could compete on the London streets with milk from the Home Counties.

I started my first farm in October 1933, selling the milk to a London dairy company as my predecessor had done. The Board came into operation half way through the month and the price I was receiving dropped from one shilling a gallon (5p) to 10½d (4p). This was through the operation of the pooling arrangements which the Board initiated so that within quite small regional variations all farmers received more or less the same price.

I should add though that during the previous year I was managing a dairy farm in the West Midlands where the prices received were 8d in the winter and 6d in the summer.

This regional differential has always irritated farmers close to urban areas and a few years ago a group of them took legal action to try to get the system altered. But as was to be expected under the terms of the marketing Act they did not succeed.

The greet majority of farmers outside the town supply areas welcomed the Board, not only because the pooling arrangements pushed their prices well up but they no longer had to worry about finding a buyer once a year.

The Board also took all the milk they produced. Previously buyers would only guarantee to take so much and then pay a good deal less for the surplus. Great difficulties used to arise in the spring and early summer when there is e natural extra flush of milk, of which buyers used to take th fullest advantge.

Sales pooled

Of course, the Board had to cope with the same variations of supply, but because the total sales were pooled as between the liquid and less rewarding manufacturing markets, farmers received an average price which—although it did reflect the sales difficulties in a flush period—was nothing like as drastic in its effects on an individual farmers' returns under the old system.

It must be said nere thet the milk boards, for they operate in Scotland and Northern Ireland as well, have relieved farmers of any marketing responsibility and for 50 years now no dairy farmer except those retailing their own milk nas had to bother his head abour selling his own production. As long as they maintain the hygienic and compositional standards laid down they have a certain market.

This is e state of affairs that many farmers would like to see operating in other fields but apart from the Wool Marketing Board other ettempts to use the markeing Acts heve failed.

But the Board did not content itself with just selling milk. Over the years it has engaged in improving milk quality by setting standards for butter, fat and milk solids using price incentives. Some farmers found these difficult to achieve and there has been a steady exodus from the industry for many of which was one of the causes.

But the decline in herd numbers has been more than matched by a steady increase in productivity; yields per cow have risen by more than 50 per cent since 1960 and are still rising. The Milk Marketing Board has played e major part in this by organising an insemination service which covers most of the country and providing aids to management which include an accountancy and recording service.

By means of artificial insemination the genetic improvement possible from one bull can be spread over a larger number of females than by any form of natural service. Artificial insemination was a major factor too in the expansion of the Black and White Friesian breed at the expense of the Shorthorn and other local breeds which were dominant until about 25 years ago. Today between 85 and 90 per cent of the British herd is black and white, the highest concentration of the breed in Europe.

More recently, the Friesian, which originated in Holland, is being supplemented by the Holstein from North America and its influence is likely to be reflected in even higher yields per cow in the future. These high-yielding cows, require management of a high order and the trend is also happening in much of Europe. It is a major factor in the embarrassing growth of the milk surplus which now threatens to bankrupt the Common Agricultural Policy.

This is where the Milk Marketing Board could be said to have failed British farmers. They have been encouraged to be efficient and to produce to the limit of their farm's resources without any consideration being given to a future marketing crisis.

There was a period in the early 1960s when similar marketing difficulties arose; at that time the British Government, which guaranteed the prices, instituted the standard quantity system only paying to support a proportion of the milk output.

A number of farmers tried to institute a quota scheme which would guarantee a price for a proportion of a farmer'e output and penalising him for any production in excess of that amount. The Milk Board and the larger producers insisted that the penalty should be everaged over everyone, so reducing the price paid over every gallon. This saved the Government's money but did nothing to reduce production, in fact it stimulated it as farmers strove to increase production to cut their unit costs.

Full membership of the Community removed the Standard Quantity price limitations, but the question of limitation is becoming acute. The Commission is now proposing a form of quota which, if enacted, will penalise the expanding UK dairy farmer by cutting the price for any excess production over the 1981 level plus 1 per cent by 75 per cent. The irony of this situation is that Britain alone of the member countries has the facilities for enforcing the quotas because almost all milk is sold through the boards and every delivery is recorded.

By this means the Commission hopes to raise about £500m of which roughly 30 per cent will come from Britain. This is being strongly opposed by farmers and the Board as being an unfair sharing of the burden as only 15 per cent of total EEC supplies are produced here. It does look as though dairy farmers are going to be punished for their own success.

Milk yields have dramatically improved in recent years: now there is an embarrassing surplus

MILK PRODUCTION IN BRITAIN

	1965	1974	1981-82
Number of producers, 000s	124	83	52
Total number of cows, 000s	3,186	3,393	3,250
Number of cows per herd	20	43	59
Average yield per cow, in litres	3,520	3,980	4,745
Total milk sales, in million litres	10,710	13,314	15,162

● Milk and milk products consumption per head in the UK (figures in kg):

Liquid milk	146.5	146.5	126.8
Butter	8.8	8.4	5.8
Cheese	4.6	6.3	5.8

Robin Reeves reports on a prosperous Welsh farm

The fruits of hard work and a long day

GWILYM DAVIES took over a 50-acre county council holding at Llangadog, Dyfed, at the age of 26 in 1959 because he was keen to continue in farming. The family farm was not large enough to support both him and his brother.

He began with eight milkers and within two years had 35. After six years he was able to increase his herd of pure Friesians to 50. The council recognised that 50 acres was hardly enough to provide a full-time living, so it added 20 more acres to Mr Davies's holding by splitting up a neighbouring farm which had fallen vacant.

Four years ago Mr Davies acquired a further 35 acres of accommodation land nearby to enable the farm also to support his by now grown-up son Carwyn. Today the farm is able to carry 70 milkers and 40 to 45 replacements.

The foundation for this growth, as for hundreds of small farmers like Mr Davies, is the monthly cheque from the Milk Marketing Board ("one thing we have never had to worry about") and sustained hard work.

Immaculately kept

Mr Davies's farm is immaculately kept and as efficiently run as any modern factory. Carefully-kept records ensure that he knows precisely how his business is faring at any one time.

The working day starts—seven days a week, year in year out—with the first milking at 6 am. By the time the family sits down for breakfast at about 8.15, 70 cows have been milked and the parlour, dairy and collecting yards hosed down ready for the second milking at 6 pm. This takes another two hours.

The rest of the day is taken up with a variety of jobs about the farm. In summer, a crop of hay and two crops of silage have to be cut over a period of three months. In winter, when the herd is kept inside, the cubicles have to be cleaned daily. If the weather is favourable, slurry—the best and cheapest of fertilisers—must be carried out to the fields.

There are some slack periods, but the small dairy farmer is on call 24 hours a day, not least when a cow is calving. This can occur any time of the day or night.

Mr Davies reckons that his working year averages 80-85 hours a week. He and his wife, Ydwenna, have only rarely taken a holiday (by employing a relief milker). Even a day's outing to, say, the Royal Welsh Show has involved rushing back by 6 pm to do the evening milking. On a few occasions when Mr Davies had to go into hospital his wife took over the milking for several weeks.

They are not complaining, however. "It's a good life, mind you," he says. Now that Carwyn is also working on the farm they have much more flexibility.

There has never been any question of producing anything other than milk. Mr Davies's farm occupies low-lying land along the river Tawe and grows beautiful, rich grass. Given the size of the farm, beef production would not yield a reasonable living, and it is not really suitable for sheep.

Interestingly, given the background of mounting European dairy surpluses and intermittent schemes to persuade farmers to switch out of milk, Mr Davies's cows are not producing any more milk than they did 14 years ago. The average yield per cow works out at 5,722 litres a year.

Mr Davies aims to operate a low cost dairy farm by producing as much milk as possible from grass. Ideally, the cows are indoors only from mid-December to the end of February and the use of concentrated feed is limited to 1.3 tonnes a year, or 0.233 kg per litre of milk produced.

Thanks to successive milk price increases, his margin over concentrates—the standard yardstick of performance in the industry—has risen from £140 per cow in the early 1970s to £847 now. But the increase in input costs over the same period has been equally large. Fertiliser prices have increased from £35 a tonne to £160 a tonne. Fixed costs like water and electricity have also risen relentlessly.

A tractor which cost £750 when Mr Davies began farming, now costs £8,000. Indeed, he would no longer contemplate buying a new tractor but go for a good second-hand machine instead.

Cutting cups

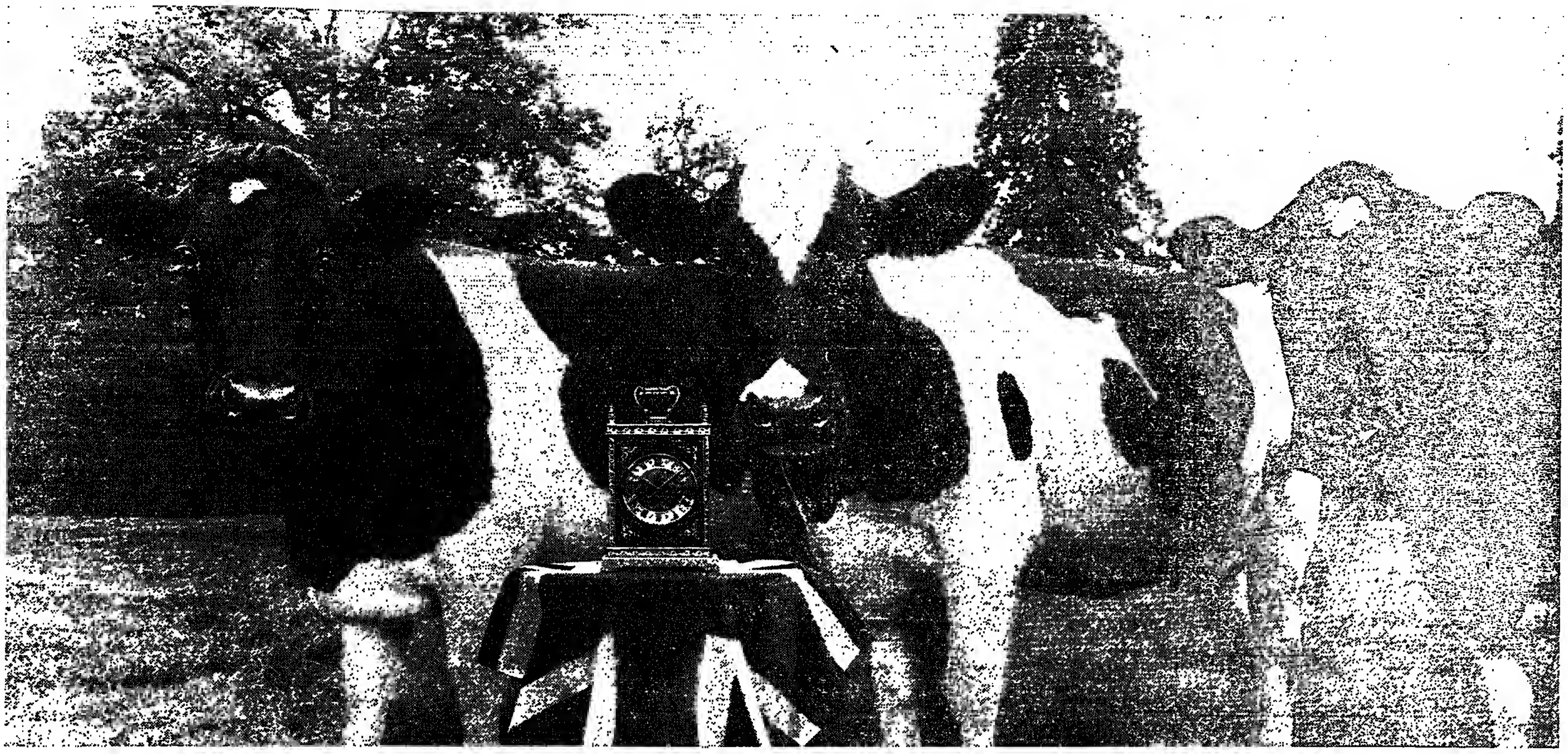
Arguments in favour of small farmers sharing their machinery co-operatively or relying on outside contractors are all very well, but Mr Davies is one of the many farmers who believes that a vital part of efficient management is to be able to cut his hay and silage crops at the right time rather than risk spoilage by bad weather.

Mr Davies is well aware of the current difficulties in the dairy market. But if the milk price were held down in an attempt to reduce the cost of EEC dairy support, he would be tempted to raise his milk output to compensate for it.

"We could probably push up our milk yield by another 150 litres per cow," he says. But he is reluctant to do so. Higher yields mean greater stress on the cows, reducing their life-span and possibly increasing veterinary costs.

"Alternatively, we could milk an extra 10 cows, but it would mean much higher cake and fertiliser costs and serious difficulties in wet weather." If land is overstocked, much valuable grass can be lost in wet weather when it is churned up by the cows' hooves. The only alternative sometimes is to take cattle indoors and resume more expensive indoor feeding.

Against this background Mr Davies is critical of the Milk Marketing Board's new policy of encouraging greater winter production by guaranteeing a higher price in the winter months. The MMB's economic logic — improved utilisation of its processing capacity — is impeccable. But it hardly squares with attempts to promote a better balance in the European dairy market or one small Welsh dairy farmer's efforts to produce milk efficiently at low cost.



After 50 years, we'd like to say thank you to Daisy, Gertie and the rest of the girls.

50 years ago the dairy farmers of England and Wales set up the Milk Marketing Board.

Today, our job is still to make sure that the milk from 2¾ million Daisys and Gerties is collected from around 40,000 farms every single day of the year.

To see that the dairies and creameries get the milk they need, whether for bottling and delivery to 16 million households, or for making into cheese and butter.

And to see that farmers are paid, on the nail, every month.

Productivity improved

In 50 years, output per cow has doubled.

Output per acre has trebled. Output per man has quadrupled.

Milk Marketing Board farm services – artificial insemination, milk recording, management consultancy, veterinary services – have played a major role in these improvements.

The resulting increase in home production of dairy products has reduced Britain's dependence on imports, and made a big contribution to the balance of payments.

Marketing and the future

We, together with the dairy trade, have always invested in advertising and sales promotion. Now, with more milk available, we are opening up new markets and developing new products.

We set up our first cheese factory in 1934, giving dairy farmers a direct stake in dairy manufacture.

Today, the Milk Marketing Board's commercial arm, Dairy Crest, is a £1 billion-a-year food business.

Looking ahead, new technologies are already helping us to ensure a continuing supply of home produced food for the consumer, and a fair living for the farmer. But none of this would have been possible without Daisy and Gertie.

Well done, girls! Here's to the next 50 years.

FIFTY YEARS 1933 MMB 1983
MILK MARKETING BOARD

Owned by farmers. Run by farmers.

INNOVATION IS NOTHING NEW AT DAIRY CREST.

As a major force in Britain's dairy industry Dairy Crest is committed to new product development.

Already new alternatives to imported butter and cheese have been launched – Longboat and Lymeswold.

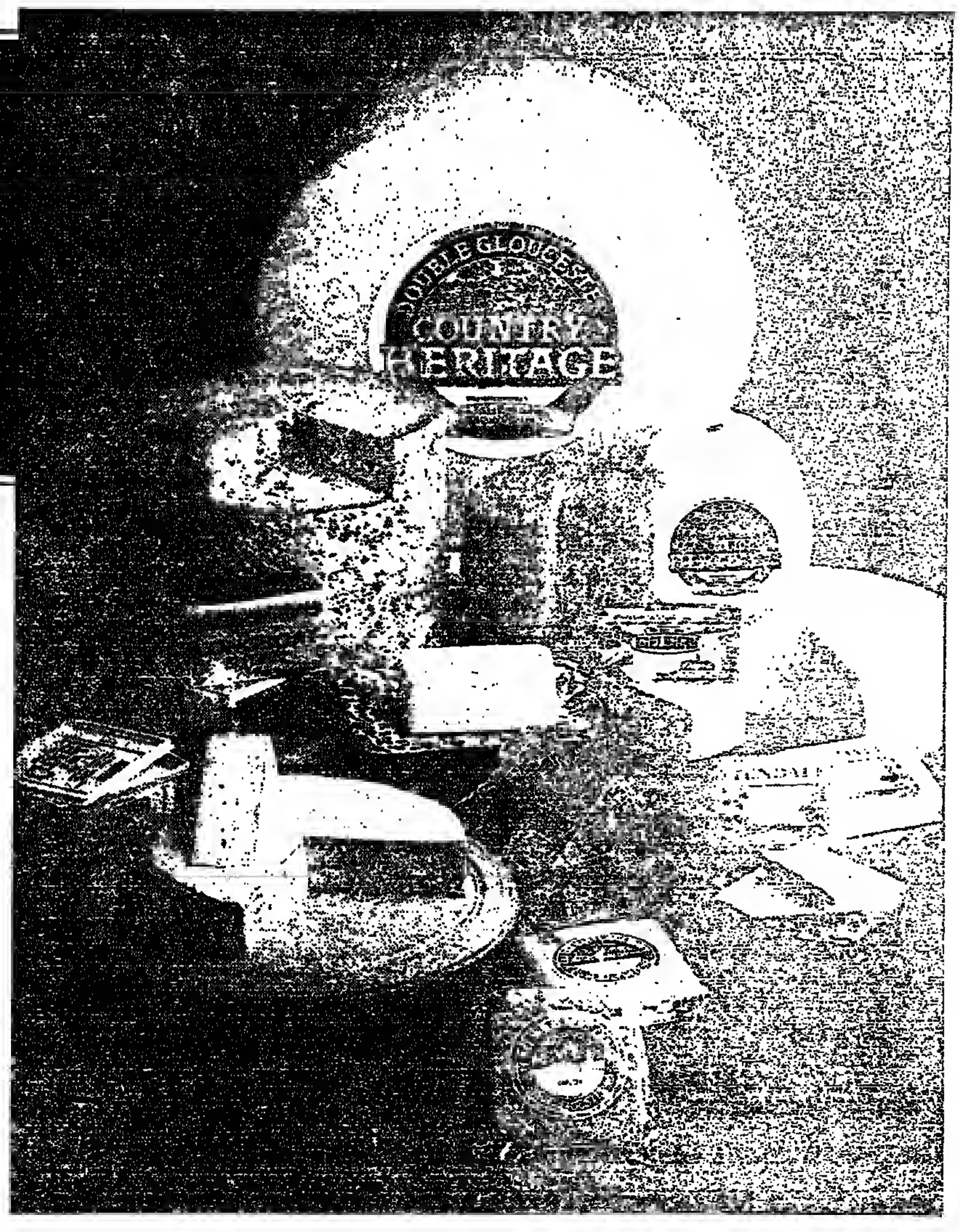
More are on the way as Dairy Crest gears up for further market expansion. For example, the new soft white Melbury cheese, now on test market in the south, will compete in the Continental soft cheese market along with Lymeswold.

Other innovations are succeeding, too. Clover, the new dairy spread on test in the Midlands since September, is proving a major success as housewives recognise its "spread straight from the fridge" advantage and buttery taste.

Tendale, a major breakthrough in low-fat Cheddar and Cheshire type cheeses, is now available nationally.

Cheesemasters Choice, the new high quality range of pre-packed cheese is selling well across Britain. And the whole range of Dairy Crest wheels and traditional cheeses is now being presented to the grocery trade under the Country Heritage label.

Add strong marketing for the range of Dairy Crest industrial products for food and feed suppliers and the result is the most innovative food manufacturer operating in Britain today.



Dairy Crest
THE INNOVATORS

Changes in packaging: why the glass manufacturers are campaigning for doorstep deliveries

Growing anxiety among the bottle-makers

BRITAIN'S glass manufacturers are planning this month to float a gigantic milk bottle down the River Thames to the very doorstep of the Houses of Parliament.

They are also planning to distribute 1m real milk bottles inscribed, in red and blue, with the slogan: "Doorstep delivery: fresh, British and best."

The moves coincide with the milk producers' last ditch attempts to stem the flow into Britain of cheaper long-life milk from the Continent.

However, the Glass Manufacturers' Federation is really less worried about the nationality of the milk carried in their bottles than about the other threats to that hallowed British institution: the doorstep delivery service.

At a time when the glass industry has been battered by the recession, by growing imports, and by ferocious competition from rival forms of packaging, the survival of the doorstep "pinta" is of vital importance to its prosperity.

With glass milk bottles still going to more than 80 per cent of British homes, the bottle makers are concerned when they hear supermarket proprietors threaten to put the doorstep milkman out of business by offering cut-price milk.

They are only too aware of the unique place glass holds in the British dairy industry compared with other countries.

In France, cartons account for 70 per cent of milk packaging, with plastics taking the remainder. In Sweden, Norway and Finland, the world's major paper-producing countries, there is no rival at all to cartons.

Of the 5.7bn containers manufactured by the UK glass industry last year, almost 500m (or 9 per cent) were milk bottles, taking fourth place after the containers used for food; wines and spirits; and beer and cider. Sales to the dairy industry, the Federation says, are worth £30m.

Most of the milk bottles are now lightweight, 9 oz "pinties," with their distinct sausage-like shape. Every day, about 30m bottles are put on 15m doorsteps, each bottle being used for about 22 deliveries. The Federation, which is not generally enthusiastic about re-usable bottles, proudly calls this "Europe's best example of a returnable packaging system."

The glass industry pins great importance on the milk bottle since it was the only growing sector at a time when total output of glass containers was in decline.

This increase was deceptive, however: It was simply due to the dairy industry's switch to the "pintie" from the previous 12 oz bottle. Otherwise, the glass manufacturers have been suffering from a decline in their share of the packaged milk market and from the overall decline in milk consumption.

The move to cartons and other alternative forms of packaging was due to the growing amount of fresh milk being sold in supermarkets and shops.

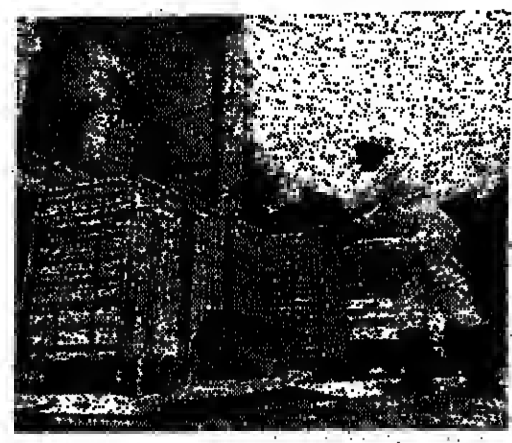
The Milk Carton Manufacturers' Association claims that, in 1982, 16 per cent of all milk in the UK was sold in cartons, compared with 4.8 per cent in 1973. There are indications that in 1983 cartons will account for 18 per cent of packaged milk.

The change in the pattern of milk purchasing is due to various factors. They include the price of the doorstep pint, smaller family orders, and the preference of working wives to include milk with their other purchases.

Regional and environmental factors also hit doorstep deliveries: they are difficult to make in urban centres with large high rise flats, or in thinly populated rural areas. In Scotland, it is estimated that more than half the milk is now sold in cartons rather than bottles.

The three main carton suppliers are Elopak, Tetra Pak and Bowater Consumer Packaging. Elopak, based in Norway, is one of a series of companies in various parts of the world who are licensed to use patents of the U.S. Ex-Cell-O Corporation.

Whereas the strength of Tetra Pak and Bowater Consumer Packaging is predominantly in aseptic packaging techniques, used for long-life products, the Pure-Pak containers produced by Elopak is identified primarily with fresh, pasteurised products and claims 41 per cent of the UK cartoned milk market. Elopak credits its rivals Tetra Pak and Bowater with 33 per cent and 22 per cent respectively.



MILK CARTONS' GROWING SHARE

Year	UK milk sales per year in million litres	Milk carton production in million litres	Milk carton, % share of sales
1973	7,507	358	4.8
1975	7,831	437	5.6
1977	7,484	547	7.3
1978	7,379	599	8.1
1979	7,304	764	10.5
1980	7,200	840	11.7
1981	7,091	987	13.9
1982	6,990	1,121	16.0

Source: Milk Carton Manufacturers' Association.

● Shrink-wrapped cartons from a Combibloc 5000 machine being loaded into refrigerated transport for delivery to high street retailers

Another newcomer to this market is Mardon Packaging International, Britain's second largest packaging company after Metal Box, which recently introduced a system using a German-built carton making machine.

In Britain, however, the carton companies all recognise the strong national preference for fresh milk. They disclaim any desire to see the overnight collapse of the door-step delivery system and seem content to see their own market increase at the present steady rate of 2 or 3 per cent a year.

While continually claiming that cartons are cheaper and more energy efficient than glass (which the glass makers strongly refute) the carton makers compete strongly among themselves.

In addition to supplying the machines for constructing and filling their cartons, they aim to offer their customers a "total" service, which includes distribution equipment for easy handling all the way from the dairy to the supermarket floor. They also vie with each other in advice and maintenance services to customers.

Much of their competition focuses on reconciling the characteristics of the carton which appeal most to the consumer — such as the way it is opened — with the shape which is most convenient for stacking during the distribution chain.

Thus, while the Elopak company sings the praises of its carton's gable-shaped opening, Tetra Pak points to the easy-stacking qualities of its own "Brik" shaped cartons and of another variant, the Tetra-Rex, said to combine both these features.

However, the carton makers are sobered by their common knowledge that they are not the only rivals to the glass bottle and are themselves being challenged by plastic containers now on sale in supermarkets.

The most notable example is the half-gallon container, of which Plysu Containers, of Woburn Sands, is the leading UK manufacturer. This company is now producing ½m polyethylene bottles a week. The speed with which it meets its full capacity of 1.5m a week depends on the speed with which dairies install the necessary filling machines.

Demand

The Plysu bottle was developed in response to demand from supermarkets led by Sainsbury and Tesco. Weighing only 40 grammes, it has a jug type handle and is designed to fit inside a domestic fridge door.

At present, these type of bottles are being filled by Express, Unigate, Northern Dairies, Asda, Job's and County Dairies. The next major development could occur once Express starts making these bottles in-plant.

Plastic bottles were introduced in the U.S. about 15 years ago and now account for an estimated 65 per cent of U.S. milk sales, the remainder being sold mainly in cartons. Most U.S. bottles are made in-plant on "Uniloy" machines, built by Hoover International.

Another development being followed closely by the packaging industry is the sale of milk in bulk. Following eight months of activity by the Milk Marketing Board, more than 600 public houses in England and Wales can provide clients with "a pint of the white stuff."

The milk is supplied to the pubs in three-gallon "Pergall" bag-in-box packs made by Bowater. These packs were first introduced by Bowater more than 20 years ago and are said to be widely used in canteens and restaurants.

While the packaging industry tries hard to provide Britain with fresh milk in a cheap, convenient container, it also plays a major part in developing new milk beverages.

In Britain, Tetra Pak's and Bowater's aseptic filling techniques have been used more for fruit juices than for dairy products, although the latter are starting to catch up. Overseas, however, there seems to be no limit to the exotic milk drinks being sold in cartons: from egg-nog flavoured milk in Trinidad to mother's milk substitute in Finland.

In Britain, curiosities in Tetra Pak containers include long-life milk with fluoride aimed at protecting children's teeth.

Packaging has also played a vital role in the dramatic growth in yoghurt sales in the last 10 years.

Maurice Samuelson

How the admen have transformed milk's market image

New strategy to boost sales

OVER THE past 21 months, a new phrase has crept into everyday usage: "gotta lotta bottle."

The slogan has become widely accepted as a result of the £6m advertising campaign, sponsored by the National Dairy Council, to increase both sales and the market image for liquid milk. It is a campaign that appears to be paying dividends as part of the dairy industry's overall attempts to stem the decline in milk consumption.

The campaign developed from the decision in 1981 to bring all the milk advertising under one agency. Ogilvy and Mather had previously handled the Milk Marketing Board's budget, concentrating on the family market, which Harrison McCann dealt with individual consumers on behalf of the NDC.

The problem was that this split approach accentuated the fundamental problem facing milk's image: it was seen as "traditional and boring" and "lacked relevance to today's lifestyles," according to the campaign pitch put forward by the aggressive Allen, Brady and Marsh advertising agency which won the merged account.

ABM undertook considerable research to find out what consumers thought of milk—research that included everyone involved in the account actually going on early morning milk rounds.

This research found that most people had a strong affinity for milk, associating it with fitness, freshness, and health. But the modern generation of potential milk consumers felt the product was old-fashioned and hardly an effective competitor to the growth in soft and carbonated drinks.

Housewives, therefore, were able to cut back on their milk order as prices rose in the late 1970s with little resistance from their families.

ABM's strategy was to "break the glass case of indifference surrounding milk." It set out single-mindedly to capture the adventurous, youthful market who drank little milk as well as broadening the appeal to the whole family—husbands and children—rather than just to the housewives who had been the target of earlier advertising.

As many as six campaign routes were researched by the agency team, but the conclusion that the new campaign had to be intrusive and memorable in order to change attitudes led to the decision to adopt the bottle theme.

The word "bottle" conveys a number of meanings, according to geographical location and social class. For example, to some it means guts and courage, while to others it signifies something better than the rest, an impression of confidence.

ABM's research, however, found that all references to bottle were positive and beneficial to the product in which it was linked. In one phrase, therefore, ABM could devise a campaign not only to alter milk's image but also to promote bottled sales of milk—and hence doorstep deliveries.

Sky-divers

The television commercials and posters used in the campaign have sought to create situations in which a "lotta bottle" was needed—with a bottle of milk featured prominently, as well. Hence, the naked girl entering a men's sauna with a bottle of milk in her hand, the sky-divers drinking milk before jumping out of the plane, or the boy in a football crowd wearing a blue-and-white scarf when all around him are wearing red.

Other commercials have sought to exploit individual markets. One commercial had a "Jungle Book" style cartoon—with all the voices played by Peter Ustinov—while another featured prominent sportsmen such as Steve Davis and Eric Bristow.

All the available evidence points to ABM having succeeded in raising milk's popularity with consumers and having begun to shift their attitude towards it in such a way that they now regard it as being a more modern, more socially acceptable drink.

ABM cites as an example of this shift the rapid growth of milk in pubs.

"Five years ago, the concept of milk in pubs would have been very difficult to get accepted," says ABM, "but now milk is beginning to re-enter people's repertoire of drinks and it is no longer considered strange to want to drink milk when there are alternative drinks available."

Yet the question remains: how effective is the advertising if milk sales are still declining?

ABM points out that the dairy industry has "commissioned two separate independent studies which have shown that even with twice the amount of advertising, the campaign would still pay for itself, in terms of increased sales."

Moreover, ABM maintains that "milk sales would be declining a lot faster without advertising support."

Adonis

The milk commercials are being run fairly continuously throughout the year, with new ones being added from time to time. The latest burst of ads features women ogling at an apparently naked, muscle-bound Adonis in a life-drawing class (although viewers are given a glimpse of his swimming trunks) as well as a girl parading along what looks like a nudist beach but seen through the slats of a carefully-placed fence.

The new commercials also feature a new copyline—"Fresh milk's gotta lotta bottle"—to support the doorstep delivery service which is under threat from the import of UHT milk.

The campaign to boost milk's sales and change its image has not, however, been all advertising-based. A major sponsorship programme was developed with the Football League Cup being renamed the Milk Cup.

In addition, the MMB has undertaken various promotions, the latest being a special family cookbook which has notched up sales of 1.2m so far. This cookbook is only available through milkmen.

Although milk is the major promotional account, the National Dairy Council also promotes cheese with a £3.5m budget handled by Geers Gross, and cream with a £2m budget handled by the Advertising Agency Partnership. Ogilvy and Mather also handle the separate "naughty but nice" generic advertising for cream, under the sponsorship of the MMB.

One novel development in milk advertising has been to put ads on the bottles themselves. Over 30 brands — including Kelloggs, Cadbury's, Maclean's toothpaste, and LBC Radio — have already been featured on milk-bottle ads, while the dairies themselves have also advertised the range of dairy products available in this way.

David Humphries, marketing manager of Rockware Glass, argues that "the concept brings a fresh and colourful dimension to milk marketing." Kelloggs, for example, found that the rate of purchase for corn flakes went up by 10 per cent while the ads on bottles campaign were featured in certain areas.

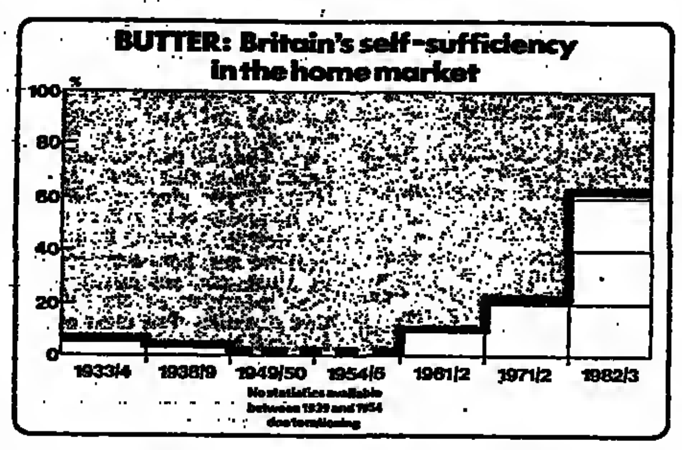
David Churchill

Computerised calf-feeding system: this calf is wearing a Responder identification system around its neck. The system, from Cattle Code of Bourton-on-the-Water, Gloucestershire, allows a computer to check and control milk rations, as well as providing a print-out once every 12 hours on individual feeding patterns for around 40 calves. The system won the Barclays Bank silver medal for new equipment at the Royal Show

Cautious optimism in the butter sector

THE STORY of butter over the last decade has been a complex one, with EEC subsidies, the butter "mountain," the price of margarine and the health controversy all playing a part.

Over the past five years, butter has lost 18 per cent of the static UK domestic yellow fats market to margarine and now takes about 36 per cent of sales as against margarine's 64 per cent.



If the EEC subsidy is removed—some 8p per 250 grammes—and if the oil element on margarine is not taxed, UK butter producers believe that the market could go down a further six to seven per cent. However, manufacturers are as yet not over-despondent provided intervention support continues.

In terms of the market, manufacturers are optimistic if extremely cautious. Mr David Jones, manager of marketing economics at the Milk Marketing Board, said: "We have got into the habit of seeing the butter market lose out to margarine. But within the last 12 months we have seen a slowing down in the trends.

"At the moment, the figures are going down by between 2 to 2.5 per cent which is the slowest decline for some years.

Price levels

"There has been no real increase in butter prices this year on last year, but we are starting to see increases in those of margarine. We also have the prospect of further substantial increases in margarine prices because of the U.S. soyabean harvest. So, as of now, the prospects for butter are not too bad. Whether we have turned the corner or not, it is too early to say."

Sales of butter in the UK are worth about £390m at retail prices. Some 34 per cent is UK produced with Anchor, the UK arm of the New Zealand Dairy Board being the major imported butter with other imports coming from Denmark, Ireland and other European countries including Germany and Holland.

Recent developments in the market include the production of more "spreads" such as Clover, launched by Dairy Crest, the commercial arm of the Milk Marketing Board.

Clover can be spread straight from the fridge; like butter, it is made from fresh cream churned in a buttermaker, but with some natural oil added. Launched in September, it is currently only available in the Midlands because Dairy Crest is test-marketing the product in the Central TV area.

Clover, according to Dairy Crest, is not expected to appeal to "committed" butter-buyers, but rather to people who like the taste of butter, but who prefer the convenience of soft margarines.

The total British butter and margarine market is worth about £700m a year at retail prices and Dairy Crest hopes to obtain about a £20m share with Clover. Cheaper butters now cost about 44p to 48p per 250 grams and Clover may undersell them by one or two pence.

It is along this route, i.e., the "spreads" which are, in effect, butter with some oil added, that the major dairies are progressing. This in effect will enable them to produce a lower-calory product, and able to compete in a growing sector.

Other areas of development include "added-value" products, such as butter impregnated with herbs or seasoning; the children's market is also being investigated with flavoured butters being identified as a growth area.

What has emerged in the butter manufacturers' struggle against margarine is a strengthening of the promotion of butter generically, as against brands. The Butter Information Council this year will spend some £3.5m promoting butter—a significant sum, although it is about the same amount as is spent promoting on brands of margarine.

The council also spends much time providing information for the medical professions, although the state of play on the debate concerning animal fats and coronery heart disease is as yet inconclusive.

Lisa Wood

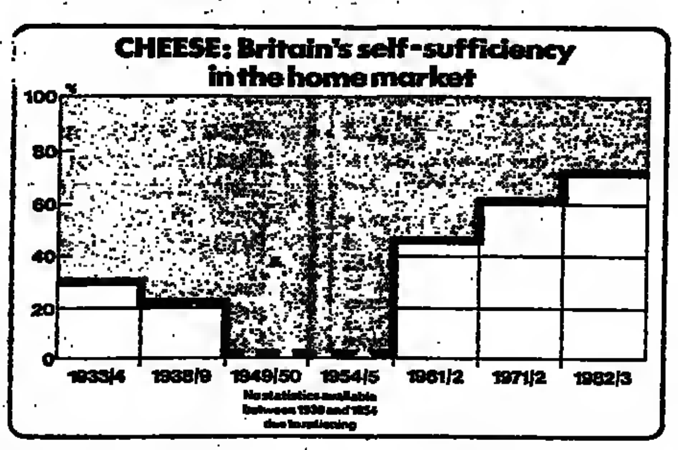
Britain's cheese-makers make history

BRITISH cheese-makers made history just over 12 months ago by launching the first new English cheese in more than 200 years.

Lymeswold, launched by Dairy Crest, the commercial subsidiary of the Milk Marketing Board, is a full-fat, soft blue cheese, developed at a cost of about £5m.

Part of the reason that it took so long to develop a new speciality British cheese is because of the UK's changing tastes in cheese-eating.

First, the British eat less cheese per capita than anywhere else in the western world—about 5.5 Kilogrammes a year, compared with 17.3 kilogrammes per head in France, for example.



The fairly static market meant that large-scale investment in a new cheese did not make sense.

However, in recent years there has been a slight but strong, shift in tastes, with increased interest and consumption of continental soft cheeses and English regional cheeses.

For example, in the 12 months to July 1983, consumption of continental cheeses went up by 7.5 per cent in volume; regional cheeses by 3 per cent while the total cheese market went up by only 0.7 per cent in volume. Processed cheese suffered worst of all, declining by some 6 per cent in volume.

Lymeswold is deemed a "speciality cheese" in a market which has grown by more than 30 per cent in 12 months; although it only has some 4 per cent of the market, it was partly developed to exploit this change in taste and to ensure that the growth in the soft cheese market was not lost to Brie, Camembert or Dolcelatte. For while this is still only a small sector of the total cheese market, it is the one sector tipped for strong growth in the 1980s.

The total UK cheese market is worth about £646m, with the total value of imports, which include Continental cheeses and imported cheddars being about £160m, approximately 25 per cent of the market in value.

Cheddars dominate the market, making up some 170,520 tonnes of the total 270,000 tonnes consumed in the 12 months to July 1983. English-made mainly "factory"-manufactured cheddar, accounts for about 121,000 tonnes of this.

As far as this sector has been concerned, there has been "little to cheer about," according to a recent Food and Drink Forecast, produced by the Food and Drink Forecasting group.

Over-supply

"The major producers of hard English cheese have spent the first half of this year in trying to get more for their products from the trade—who have been *forcing* the price down," says the group. "Some deals have been done at nearly £200/tonne below the official list price recently, the trade claiming the market is simply over-supplied."

It concludes, however, that activity continues, dominated by the launch of "even more new soft varieties."

Express Dairies, for example, through its cheese and butter division, Express Creameries, is investing some £24m in developing English cheeses.

The investment, much of which has already been made in new plant, will modernise Cheddar and regional cheese facilities and introduce speciality cheeses, many of which have not been commercially manufactured for years.

More than £5m, for example, has been spent at the Priestdykes Creamery in Scotland to improve Scottish cheddar; the plant will also be producing a range of soft English cheeses, to be launched later this year.

Express's interest in developing regional and speciality cheeses is reflected in its £6m and £4m investments at its Ryton and Whittington plants near Oswestry.

Whittington will produce a new range of cheeses, including cheddar with claret and Red Leicester with walnuts. The creamery will also produce the first range of English smoked cheeses and a range of old English blue cheeses.

Lisa Wood

Yoghurt sales soar ahead

OVER THE last decade, yoghurt has emerged as the best-selling products in the food business.

Sales, according to the Food and Drink Forecast, grew by 27 per cent in real terms between 1978-1982. Further growth of 32 per cent is forecast between 1983 and 1987.

Britons in 1982-83 consumed some 837m pots of yoghurt worth £135m of which 6 per cent was natural flavour, with 74 per cent "fruited."

The range of yoghurt flavours in the shops is a far cry from the position 20 years ago when yoghurt, generally natural, was seen as a health food. Today, with consumers more aware of "healthy living" as well as wanting more convenience foods yoghurt has become a familiar dessert.

The major contenders in this highly competitive market are Express Dairies, whose Eden Vale Ski yoghurts command about 27 per cent of the market: "own label" yoghurts with 20 per cent of sales and Unigate's Prize yoghurts, with about 12 per cent of the market.

Over the years, "own brand" yoghurts have featured strongly in the market. J. Sainsbury, Marks & Spencer and the Co-operative stores are the major contenders, with their market share increasing from 24 per cent last year.

Initiative

Varieties of yoghurt flavours have been introduced over the years. In the mid-1960s real fruit, rather than just fruit flavouring, was added to yoghurt. Eden Vale took the initiative with its Ski brand, a move which paved the way for the overall market growth but also gave Ski the brand leadership which it maintains today.

The industry, however, is not resting on its laurels with the popular flavours. In the future, more exotic tastes may be commonplace, such as kiwi fruit and mango.

Cream, a more traditional favourite, has seen but steady growth in consumption over the decade, which, in the light of the current recession, is a fairly good performance.

UK production is supplemented to a slight extent by imports, largely from Denmark and the Irish Republic, but these constitute only about two per cent of fresh cream, according to a recent Mintel report.

Sterilised cream imports are more important as a percentage of their total market, being equivalent to over 15 per cent of UK production. According to Mintel, they have been particularly important in the ultra-heat treated (UHT) products.

This market has grown apace with UHT cream growing from six per cent of the market in 1978 to 30 per cent in 1982-83.

However, the UHT market is now beginning to stabilise, but only after a 25 per cent growth in the last 12 months.

The industry predicts that 1978 the total market, which stands at 5.9m gallons a year, will rise to 7.2m gallons with UHT enjoying 43 per cent of this, and fresh 57 per cent.

The success of UHT can be partly explained by different uses of cream today, compared with a decade ago. Cream is no longer simply a family treat, bought on Saturday for Sunday lunch. Instead, it is now widely used in cooking; housewives therefore want to spread its use over a longer period.

The brand leader is Express Dairies' Eden Vale, with St Ivel in second place and "own label," including those of Marks & Spencer, the Co-operative Society and Sainsbury's.

Market developments include the use of aerosol cream dispensers, with some 8 per cent of the £70m retail cream market now coming out of an aerosol can. All of this is in the hands of Anchor Foods.

Since its launch some 18 months ago by Anchor, the UK arm of the New Zealand Dairy Board, sales have outrun the most confident market predictions. Today, this convenience product looks set to double its market share in the next 18 months. All of this is rather bad news for a major English dairy which developed the idea 20 years ago.

Future developments that will continue to grow in this added-value market include flavoured creams, such as chocolate and orange, as well as cream desserts.

L. W.

European dairy farmers a prime target for cutbacks in Brussels

Cows cost taxpayers 20% of total budget

MILK and milk products are at the centre of both the European Community's cash crisis and the trade war with America over agricultural products, including skimmed milk powder and butter.

Keeping the EEC's 25m cows munching at subsidies cost Community taxpayers £2.5bn last year. This is one-third of the amount spent on agriculture throughout the Community and around 20 per cent of the total EEC budget.

"To paraphrase Mr Churchill, never has so much been given by so many to so few," said one senior U.S. official referring to the European taxpayer's hitherto open-ended commitment to farming.

Not that the Americans have been practising meanness towards their own farmers. This season's payment-in-kind programme (PIK) has cost U.S. taxpayers between £13bn and £16bn.

Twice this year the Americans have enraged commercial traders in Europe with subsidised package export sales of dairy products and grain to Egypt. Trade in thse commodities fell into the shaky concept of "traditional" markets normally fulfilled by EEC countries, mainly France.

Little wonder that strong rumours in Brussels suggest that a senior Commission official tipped off French traders that there could be lack of cash for export subsidies later in 1983. The resultant stepping up of claims beyond actual requirements for subsidies helped precipitate yet another cash crisis.

Europe's dairy farmers are the target for budgetary cutbacks partly because of the cost of supporting this sector and mainly because previous measures adopted by the Commission have merely stimulated milk production while consumption continued to fall.

The next most costly item in the EEC budget is the mere £1.29bn spent on building up Europe's grain mountain.

Milk is a more perishable commodity than grain which is one reason why the Commission is continuing to attempt production discipline by price curbs on cereals, while putting a tax on milk output.

Price had been used in the past to curb milk production along with measures such as payments to farmers to cease keeping cows altogether. However, these measures failed for the simple reason that farmers, like many small businesses faced with a cost/price squeeze, merely increase production to maintain profitability.

Faced with such largesse as "golden handshakes" to get out of dairying, farmers merely provided accountants with more work devising methods whereby they could take the money and get back into farming as quickly as possible.

The rise in production of milk and milk products, while consumption for all but cheese fell throughout the Community has also caused an expensive rise in stocks held by EEC Governments. Currently, Government-owned and private storage stocks of butter around the Community stand at 870,000 tonnes, while a further 1m tonnes of skimed milk powder (SMP) is taking up more space.

The cheese market at Alkmaar in Holland

Stockpiling in both commodities has been rising steadily during this year.

By contrast, the average European's taste for milk and hutter is still sliding. In 1965, liquid milk consumption in Germany, France, Italy, Holland, Belgium, Luxembourg, Eire, Denmark and the UK averaged 96.5 kilos per head.

More semi-skimmed

By 1980 this had fallen to 74.1 kg/head and this drop has not been compensared by the rise in semi-skimmed milk consumption.

Britain's doorstep delivery system has not made the UK immune from this phenomenon. During the 15 years to 1980 liquid milk consumption in the UK fell by over 9 per cent.

The great fear in both Whitehall and Brussels is that a falling away of doorstep deliveries in the UK could help precipitate a decline in consumption on the same spectacular scale as in Holland.

Dutch milk consumption has fallen by a massive 240 per cent between 1965 and 1981—a factor directly attribnted to the disappearance of deliveries to people's homes. Consumption in the UK remains the highest in Europe, at 133 kg/head, with the exception of Eire.

These falls in consumption have occurred against a steady rise in the potential of European farmers to produce more milk per cow. Over the 1960-81 period average yields in the 10 members of the EEC rose by almost 42 per cent.

This rise has been more than reflected in the two countries with the largest number of dairy cattle, Germany and France.

Average yields in France have risen hy 70 per cent, and over a third in Germany. In the UK yields have shot up by over 37 per cent during this period, while in Holland (where average yields are the highest in Europe) there has been a 19 per cent rise.

One reason for this major rise, apart from better breeding stock and husbandry, has been the increase in feeding compound feeds stimulated by the rise in cereal production as the Common Agricultural Policy protected farmers from the vagaries of the world market.

Such difficulties could become more acute in the milk product sectors. Germany, France, Holland end Eire are all prodncers of surplus butter. Annual output in France is 600,000 tonnes and 546,000 tonnes in Germany, while the UK is the fourth largest producer of hntter at 172,000 tonnes.

Butter rather than guns is one of the main armaments in the trade war with tha U.S. The Americans have cut their stocks of hutter to 250,000 tonnes and SMP to 750,000 tonnes.

Butter and cheese have been literally given away in the form of food stamps for America's growing unemployed.

This theme of unemployed is one of the major factors being hawked by various Community officials, in recent weeks, explaining why penalties are to be imposed on European dairy farmers. There are currently 11.6m johless in the EEC and 4.5m of this total are under 25.

This total of unemployed has been swelled hy the one third reduction in the numbers employed in the steel sector.

"That is the sort of pain that sectors other than agriculture have had to go through," said Graham Meadows, agricultural adviser to EEC president Gaston Thorn.

"Agriculture has been sheltered from the recession, helped by the CAP lifebelt and we are proposing to let some air out of the lifebelt," he added.

The pin used to let out the air is a tax on dairy farmers who produce more than 60,000 kilos of milk annually and produce more than 15,000 kg of milk per hectare of fodder area.

This tax will be 75 per cent of the target price for milk. The target is a price set each year by the Commission as an "ideal" level at which farmers ought to be paid for their milk and may vary with green rates.

The intervention price is set at 94.5 per cent of this ideal price, so that the proposal suggests a 20 per cent "tax" on production over 60,000 kg.

This has been met with howls of dismay in the UK where it is regarded as *discriminatory.* There is some justification for this claim.

Only 12 to 15 cows are required to produce the 60,000 kg total and half French and German herds fall into this category, while 80 per cent of Italy'a herds are at this level. By contrast, 76 per cent of UK dairy herds are 20 cows and over with the average running at 56 cows.

There are, however, loopholes in what are supposedly stringent measures to curb production of milk. The most obvious is that herds can be split up without impairing efficiency levels too badly.

Moreover, the objections to these measures from EEC dairy producers, while cereal farmers at at liberty to continue producing more has caused Commission officials to privately admit that any measure to curb milk production is unlikely to come into force before the end of next year. Agreement among member states is the main factor causing the delay.

The real prohlem facing the Community's milk and other producers is likely to hit hardest next year in any case. U.S. maize and soya is set for record levels and the cheaper feed costs it is likely to bring in the wake of a higher crop will cut livestock producers' costs.

At the same time, grain exports from the Community—even at subsidised rates—will be mnch harder, not least because the U.S. has shown willingness to take a trade war to lengths of deciding whose pockets are the deepest.

Robert Bojduniak

Prospect of long-life milk imports from Europe

Continental UHT milk threatens to flood UK market

ULTRA HEAT TREATMENT (UHT) is an extension of the pasteurising process which enables milk to be kept longer in its passage from the dairy to the point of sale. The process is not particularly new, and has been used for supplies sold in shops and particularly for deliveries to outlying areas such as the Highlands and Islands of Scotland. Packed in cartons, it takes up much less room than returnable bottles, and obviously weighs a good deal less, so easing transport costs.

UHT milk also stores well and is more convenient for areas where there is little in the way of doorstep delivery as in some Scottish towns. However, it has yet to make a significant impact on the liquid market because although it would be more applicable to shop sales, the price at which it could be sold in the shops and supermarkets was little different to that which is charged for delivery to the home. The reason for this, although not openly admitted, is that the processing dairies had a vested interest in home delivery and are not going to sabotage their most profitable outlets.

Liquid consumption

This is an important consideration to all in the milk industry, producers and distributors alike. Liquid milk consumption in 1970 represented 65 per cent of all sales. By 1981 the proportion had fallen to 47 per cent. This has been partly due to an increase of 27 per cent in overall production and a fall of about 10 per cent in liquid sales volume from a high point in 1975. This trend is still continuing.

The UK retail milk market is particularly valuable as it returns more than that for manufacture into the dairy products into which the EEC turns most of its over-production. The higher price element of this does give UK farmers a financial advantage which at the moment is being attacked by dairying interests in other member states, particularly by Eire.

Some three or four years ago dairies in France, Belgium and the Netherlands attempted to export UHT milk to this country which was clearly an attractive market for them. There were even some lively demonstrations in London streets by angry French and other farmers but to no avail.

Mr Peter Walker, former Minister of Agriculture, invoked the Milk and Dairies Order to prevent the imports. This lays down that all milk sold for human consumption must be processed under the control of the local authority. As no British local authority can inspect and control dairies on the Continent this seemed to settle the matter.

However, other member countries appealed to the European Commission for assistance and the matter was put before the European Court which is supposed to settle these family squabbles. At the same time a war of words began in which in one moment of hyperbole Mr Walker claimed that his dog would not touch the stuff. As the same dog apparently scoffs Lymeswold cheese it cannot be a creature of any great discernment.

However, eventually the Court ruled against the British case.

Shortly before the June general election, the Importation of Milk Act 1983 received the Royal Assent. This paved the way for UHT to be imported into the UK. Under regulations laid before Parliament last week, this will be allowed from November 16. In the fullness of time European UHT milk may find itself on our shelves. It's probable though that the damage if any, done to the liquid market—which means the doorstep deliveries—could come from much closer to home.

Some supermarkets are beginning to sell UHT milk and are finding supplies. They claim that they can undercut the doorstep delivery price, which is Government-controlled, quite appreciably.

50,000 roundsmen

The milk retailing interests are thoroughly alarmed now and have made common cause with their 50,000 roundsmen in efforts to maintain milk deliveries. Once demand falls below a certain point, they claim, milk rounds could become unviable and jobs would be lost and of course profits, which are believed to have been very good, would evaporate.

There were already problems in this sector. A number of farmers have set themselves up as producer-processors and are retailing and wholesaling to retail outlets at prices the main dairies claim they could not match.

The attraction of the retailing market is the difference between what the farmer receives and the delivered price. Milk leaves the farm at an average price of 14½p a litre or 8.2p a pint and is retailed at 21p a pint. There are of course a good many imponderables in this including the pooling element between the high-priced liquid and lower-priced manufacturing sales, but it gives the producer-processor an incentive to slip in without having to sell his milk to the Board.

So far the number of these perfectly legal operators is not known with certainty, but they could grow, particularly if measures to restrict milk output by price were to be imposed in the Community. The Milk Marketing Board's main objections go a good deal further than claiming disruptions in the retail milk market. It believes that once doorstep delivery comes to an end liquid consumption would fall through the floor.

Except for Ireland, European liquid milk consumption is at best only half that in the UK. This is generally put down to an absence of the doorstep delivery and the belief that once the consumer has to make a conscious effort to buy milk, at a shop instead of having it delivered to the door, purchases would fall.

It follows that consumers could begin to question the value of lugging the family's milk home and consider buying it instead as powdered or condensed milk. This fall in consumption of liquid milk is evident in the whole European Community and it is probable that, as in other spheres, milk consumption habits generally will harmonise into a new norm.

Any fall in liquid consumption would mean added pressure on the manufacturing market which would mean more butter and skimmed milk powder, already in enormous Community surplus. This could result in a substantial drop in farmers' prices once the more valuable retail contribution has been reduced.

It is possible that at this late stage a means will be found of stopping the import of European UHT milk. In any case the recent strengthening of the £ makes it less attractive to importers.

It is even doubtful if UHT is the main threat to the doorstep deliveries, which could be from UK farms. But the most serious threat to the whole milk industry could well come from the apparently uncontrollable flood of over-production in Europe about which nothing effective is being done.

John Cherrington